

Comprehensive Annual Financial Report

of the

**City of Waterbury
Connecticut**

Fiscal Year Ended June 30, 2003

CITY OF WATERBURY, CONNECTICUT

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JUNE 30, 2003

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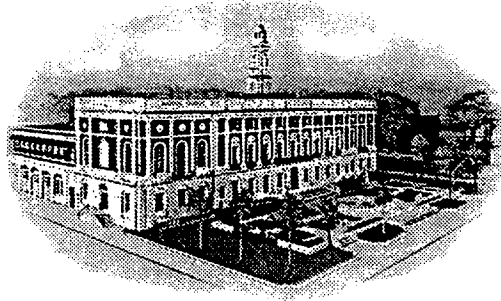
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OFFICE OF THE DIRECTOR OF FINANCE
THE CITY OF WATERBURY
CONNECTICUT

December 30, 2003

Honorable Mayor and Board of Aldermen
City of Waterbury
Waterbury, Connecticut

I am pleased to submit the Comprehensive Annual Financial Report (CAFR) of the City of Waterbury (the "City") for the fiscal year ended June 30, 2003. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the City. To the best of our knowledge and belief, the enclosed data are accurate in all material respects; and are reported in a manner to present fairly the financial position and results of operations of the City. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

The CAFR is presented in three sections: introductory, financial, and statistical. The introductory section includes this transmittal letter. The financial section includes the management's discussion and analysis (MD&A), basic financial statements, required supplementary information, and the combining and individual fund statements and schedules, as well as the auditors' report. The statistical section includes selected financial and demographic information, generally presented on a multi-year basis.

The City is required to undergo an annual single audit in conformity with the provisions of the Federal Single Audit Act and U.S. Office of Management and Budget Circular A-133, "Audits of States, Local Governments and Non-Profit Organizations". Information related to this single audit, including the schedule of expenditures of federal awards, findings and recommendations, and auditors' reports on the internal control over financial reporting and compliance with applicable laws and regulations, are issued under separate cover and are not included in this report. The City is also required to undergo a State single audit. Information related to this State single audit will be issued separately.

Generally Accepted Accounting Principles requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the MD&A. This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The City of Waterbury's MD&A can be found immediately following the report of the independent auditors.

REPORTING ENTITY

The City of Waterbury was founded in 1674, incorporated as a village in 1686 and as a city in 1853. Located in the west-central portion of the state, the City is 21 miles north of New Haven, 29 miles southwest of Hartford, and 24 miles east of Danbury. The City operates under a Mayor-Board of Aldermen form of government with officials elected at regular biennial elections.

Waterbury is conveniently located at the crossroads of two major expressways, Interstate 84 and Connecticut Route 8. To the east, I-84 provides direct access to Hartford and joins the Massachusetts Turnpike for travel to Boston and northern New England. Heading west, I-84 passes through Danbury and crosses the states of New York and Pennsylvania, with connections to the New York Thruway and Interstate 80. Route 8 south meets the Connecticut Turnpike (I-95) in Bridgeport, making all of southern Connecticut and Fairfield County easily accessible. To the north, Route 8 ultimately leads to the Massachusetts Turnpike.

Rail passenger and freight service in the area are operated by Metro North and Conrail, respectively. Daily passenger round trips are made between Waterbury and New York City, and freight service via New Haven makes shipments possible to any point in the country.

Waterbury serves as a center of higher education for the area, being the home of Teikyo Post University, Naugatuck Valley Community-Technical College, and a branch of the University of Connecticut. Graduate school needs are met by the Waterbury extensions of the University of New Haven and the University of Bridgeport. Public City school facilities include four (4) high schools, seven (7) middle schools and nineteen (19) elementary schools. There are eleven private or parochial elementary schools, four private or parochial high schools and one vocational-technical high school.

Waterbury provides its residents with a variety of housing options in all price ranges. Single-family dwellings from modest to luxurious, multi-family homes, and apartments and condominiums meet the needs of workers and residents. Waterbury provides special housing for senior citizens and for families in low- and middle-income groupings and assisted living facilities.

Public parks and recreation facilities offering tennis, swimming pools, ball fields, ice skating and recreational programs are located throughout the City. In addition, the City offers bathing, boating, and fishing facilities at Lakewood Park within the City and at Lake Quassapaug and Hitchcock Lake just outside the City limits. Also, two 18-hole City-owned golf courses and an acclaimed 18-hole private course are located in Waterbury, while several 9-hole golf courses are situated immediately adjacent to the City. Mattatuck State forest with its many trails and campsites is only four miles from the center of the City. Black Rock State Park, with swimming and picnic facilities available, is a short drive away.

The Waterbury Symphony Orchestra, Seven Angels Theater, Waterbury Ballet, and the Mattatuck Historical Museum are just a few of the many cultural institutions serving Waterbury area residents.

The Silas Bronson Library, the public library of the City of Waterbury, was established in 1869 by an endowment from Silas Bronson. The library is now jointly supported by the Silas Bronson entitlement and public funds. There are over 170,000 volumes in the main library available to the public, while a branch library operates in the Bunker Hill section.

The City's second magnet School, the Rotella Regional Arts Magnet School, opened in October 2000. The Rotella School, like the Maloney Magnet School that opened in 1996 is fully funded by the State of Connecticut and requires that at least 20% of Rotella students be from nearby school districts. These magnet schools address a statewide mandate for greater social and ethnic diversity. Waterbury's schools are considered "racially balanced" by the State of Connecticut Department of Education.

The City is governed by an elected Mayor, who serves for a two-year term, and a Board of Aldermen made up of 15 members elected for two-year terms. A City Clerk, Sheriff, and the ten-member Board of Education are also elected. Other officials are appointed by the Mayor.

Pursuant to Special Act 01-1 of the State of Connecticut General Assembly (the "Act"), as amended in Special Act 01-2 of the June 2001 Special Legislative Session, established the City of Waterbury Financial Planning and Assistance Board (the "WFPAB"). The WFPAB was established by the Act to review the financial affairs of the City, to assist the City in achieving access to public credit markets, and to assist the City in funding its accumulated deficits and restoring its financial stability. The WFPAB exercises broad authority over the City's financial affairs.

ECONOMIC DEVELOPMENT

Waterbury continues a transition from dependence on the cyclical manufacturing business to more diverse endeavors. Manufacturing remains an important economic activity, with one in seven City residents making their living in some form of industrial activity. However, the City is now a regional hub for various retail businesses and has a growing healthcare component. With two major hospitals, the City has become a regional health care center with numerous facilities offering various outpatient services. The City has several significant ongoing development projects that will further diversify and revitalize its economic base.

The Waterbury Economic Resource Center ("WERC") was created in fiscal year 2002. As part of a comprehensive effort to expand the grand list of Waterbury, WERC has been charged with the task of developing a multi-dimensional technical service program and marketing campaign in order to attract investment from across the state, region and beyond.

The successful completion of the Brass Mill Center has provided momentum for a myriad of other projects being managed by the Naugatuck Valley Development Corporation ("NVDC"). The NVDC is a 501c-4 non-profit corporation with which the City subcontracts certain economic development projects.

In 1998 the City unveiled a comprehensive \$112 million Downtown Development Plan to revitalize the balance of the Central Business District (CBD) and contiguous areas. The plan has evolved to an expanded budget of approximately \$190 million. The project calls for a combination of local, State, and private-sector funding. The first phase of the project, now under way, includes the establishment of a State-approved information technology zone ("ITZ") that is the first of its kind in Connecticut. The ITZ allows high-tech firms to access state-of-the-art fiber-optic wiring and provides special tax incentives to businesses to locate within its boundaries. Under the terms of the program, the State reimburses the City up to 50% of the tax abatements. Improvements to Bank Street and the Bank Street Garage are completed components of Phase I of the plan. Thus far, the City has successfully attracted 13 firms to the ITZ which currently employ over 120 individuals, and provide the following types of services: web site development, software applications development, internet service provider platforms, internet billing systems for healthcare providers, and customer response management systems. Five year projections by those firms indicate that they will employ over 400 employees if they are successful.

Phase II of the revitalization is now under way. In October 1999, the State Bond Commission approved \$8.5 million as a grant-in-aid for costs associated with Phase II. The focus of this phase is the purchase and restoration of the Palace Theater as a multi-purpose entertainment and educational facility, including establishment of an 850-student magnet school emphasizing the performing and creative arts. The 2,700-seat Palace Theater is listed on the National Register of Historic Places and has been vacant for over 10 years. Restoration costs will be approximately \$30 million and the theater will open in the fall of 2004. The magnet school is estimated to cost \$57 million, and construction will be funded by the State. Private investment in the range of \$20 million is expected to offset the cost of refurbishing nearly 400,000 square feet of business space surrounding the theater and proposed school to accommodate stores, restaurants and apartments. Increased parking and improved pedestrian access will also be addressed during this phase.

Also underway is the construction of a new campus for the University of Connecticut Waterbury Branch which is being relocated from its current site in the City. The State of Connecticut has committed to providing the NVDC with more than \$22 million for this project and construction is under way.

One spinoff of the Downtown Revitalization Project is the replacement for the present UCONN campus with a private religious boarding school relocating from its current site in New York. The School will add vibrancy to the campus and the surrounding neighborhood communities. The group has entered into a contract that will require that they purchase approximately 100 homes in those neighborhoods. Further, the school will educate several hundred students from outside Waterbury who will board on the campus.

Of great significance to the State's commitment to the CBD is the completion of the \$30 million Superior Courthouse on Grand Street and the construction of the \$12 million State of Connecticut office building on West Main Street in 2000. The office building represents approximately 100,000 square feet of Class A office space in the CBD. Four hundred State agency jobs have been relocated to the City, including the State Department of Motor Vehicles headquarters with approximately 150 employees.

The City's two full-service hospitals, St. Mary's Hospital and Waterbury Hospital, have completed construction of the Harold J. Leever Cancer Center, which is a jointly-run regional center providing a full range of cancer treatment.

The City is currently planning the development of an additional industrial park on a 165-acre tract of land located on the City's South End as a joint venture with the Borough of Naugatuck. The City received an initial planning grant of \$309,855, which was used to complete site analysis and a feasibility study. An Inter-Municipal Agreement with Naugatuck is being finalized, and plans are being made to apply for development funds.

OTHER CITY MANAGEMENT INITIATIVES

The City continues to make numerous changes to ordinances, policies, management controls, personnel, and organizational structures to enhance its ability to provide services to taxpayers and ratepayers as well as maintain and improve its system of internal control. Recent changes include the following:

Strengthening of Budgetary Controls and Management

The City has instituted measures to greatly enhance budget management and tracking. Procedures have been strengthened to control hiring, overtime, and other expenses. A monthly financial report, with year-to-date expenditures and projections for the balance of the year, is an important tool in regard to these efforts. Additionally, the City has instituted a formal three-year capital budget plan. This plan covers capital funding available to the City from the General Fund, existing bond funds, State and federal grants, and the City's enterprise funds. The capital improvement plan is another critical planning tool for the City. In addition to identifying capital needs from several City Departments, it is expected that a school facilities study that is under way will cite the need for significant capital needs in the area of school facilities.

Revenue Enhancements

The City is expending significant efforts to enhance revenue collections and is in the process of creating a consolidated revenue collection bureau with the expectation of materially increasing collections on all City receivables. In addition, the City has increased fees and fines to levels comparable to similar cities, including parking fees/fines, golf course fees, building permits, and recreation fees.

Financial Management Initiatives

Among the major initiatives undertaken to strengthen the City's core administrative and financial systems, both in terms of staffing and technology are:

- **Finance Department Reorganization.** The following positions were created to enhance financial controls: Manager of Accounting and Reporting; Treasury Manager (cash management issues); and Grants Accounting Manager. In 2003-2004, the Finance Department is being reorganized such that Assessment, Collections, and Purchasing are being folded into the Finance Department along with the departments already residing in Finance.

- **Reestablish Budget Office.** After having a part-time Budget Director for a number of years, a full-time Budget Director and a Budget Analyst were hired.
- **New Information Services Positions and Systems.** New IS positions were created to assist with the implementation of a \$5.0 million technology upgrade that is currently underway.

Consolidation of Departments and Modernization of City Operations

A major management and organizational issue that faced the City was the large number of departments, many of them small, reporting directly to the Mayor. The City is in the process of consolidating departments as well as addressing weaknesses related to coordination. As a major first step in addressing this issue, the following formerly independent departments were consolidated under a new Director of Public Works position: Engineering; Traffic Engineer; Streets; Public Buildings; Central Vehicle Maintenance; Refuse Collection; and North End Landfill. Other steps include consolidating the functions of personnel, labor relations, and benefits administration into a new human resources department. In addition, the current City administration pursued, and received voter support for, significant changes to the City's outdated Charter, which changes will allow for reforms with respect to the City's personnel and purchasing practices, as well as the ability to further reorganize City government.

Collective Bargaining Agreements/Health Insurance

The City, along with the Waterbury Financial Planning and Assistance Board, either approved or arbitrated new collective bargaining agreements with the following unions: fire, teachers, school administrators, white collar, municipal managers, nurses, and community development workers. Among the major savings with these agreements are those associated with health insurance. In addition, the agreements contain a number of changes associated with vehicle staffing requirements for the Fire Department; pension benefits, sick leave and vacation pay; overtime; holiday pay; and management rights.

Risk Management

A comprehensive risk management policy was adopted, and the Board of Aldermen approved the related ordinance, to optimize the use of financial resources and level the financial fluctuations inherent in risk management. Also, the City has hired a new third party administrator to manage its worker's compensation/heart and hypertension claims. The City, through this administrator, has implemented a managed care program, and the City expects to greatly improve its loss experience in these areas. The City's risk management function is primarily controlled and accounted for in four internal service funds. The City has also hired an outside actuarial firm to determine the level of funding needed in the General Fund budget to ensure that these funds will be maintained at actuarially appropriate levels.

FINANCIAL INFORMATION

The City's management is responsible for establishing and maintaining an internal control structure designed to ensure that its assets are protected from loss, theft or misuse, and to ensure that adequate accounting data is compiled to manage spending within prescribable budget limitations and for the preparation of financial statements in conformity with generally accepted accounting principles. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

The City's accounting records for general government are maintained on the modified accrual basis. Revenues are recorded when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Liabilities are recognized when incurred (except for long-term debt and compensated absences, the non-current portions of which are carried in the general long-term debt account group).

The City's accounting records for enterprise funds, internal service funds, pension and nonexpendable trust funds are maintained on an accrual basis. Revenues are recognized when earned, and expenses recognized when incurred.

Budgeting Controls

In addition, the City maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget. Activities of the general fund are included in the annual appropriated budget. Additional appropriations and transfers between major functions may be made by the City in accordance with Charter provisions. The City also maintains an encumbrance accounting system as one technique of accomplishing budgetary control. Encumbrances outstanding at year-end are recorded as budgetary expenditures and reported as a reservation of fund balance at June 30.

DEBT ADMINISTRATION

The City's general outstanding bonded indebtedness totaled \$151.8 million on June 30, 2003. Additionally, enterprise funds bond and serial notes debt totaled \$84.6 million.

As of June 30, 2003, bonds authorized and unissued amounted to \$94.6 million for the following purposes:

.....(thousands).....

<u>Education</u>	<u>Sewers</u>
\$14,501	\$80,085

An analysis of the City's key debt ratios at year end shows that they remain well within the acceptable limits of the municipal credit industry:

(thousands) Net Directed <u>Bonded Debt*</u>	<u>Percentage of Bonded Debt to Assessed Value</u>	<u>Bonded Debt per Capita</u>	<u>Percent Retired in Ten Years</u>
\$151,507	4.6%	\$1,404	61%

*Net of \$334 thousand of State School Building Grants.

CASH MANAGEMENT

During the year, idle cash was invested, temporarily, in legally permitted investments on a short-term basis. Connecticut statutes restrict the investment of municipal funds to direct and indirect securities of the United States Government and certificates of deposit issued by commercial banks located within the State. Bank CD's are a component of the City's short-term investment portfolio. However, Short Term Investment Fund (STIF) operated by the Office of the State Treasurer comprises the major share of the City's short-term investments.

RISK MANAGEMENT

The City is self-insured for health benefits, general liability, workers' compensation and heart and hypertension.

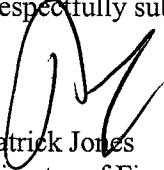
INDEPENDENT AUDIT

State Statute and the City Charter require an annual audit by an independent certified public accountant. The statute further prescribes that each municipality's annual report shall be prepared in accordance with accounting principles generally accepted in the United States of America. This report has been prepared according to these standards. The auditors' unqualified opinion is included in this report.

ACKNOWLEDGEMENT

The preparation of this report could not be accomplished without the efficient and dedicated services of the entire staff of the Finance Department. I should like to express my appreciation to all members of the Department who assisted and contributed to its preparation. I should also like to thank the Mayor and Board of Aldermen for their interest and support in planning and conducting the financial operations of the City.

Respectfully submitted,

A handwritten signature in black ink, appearing to be 'Patrick Jones', written over the printed name.

Patrick Jones
Director of Finance



Scully & Wolf, LLP / Certified Public Accountants / Glastonbury, Connecticut 06033

INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and Board of Aldermen
City of Waterbury, Connecticut

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Waterbury, Connecticut, as of and for the year ended June 30, 2003, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Waterbury's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards* issued by the Comptroller General of the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

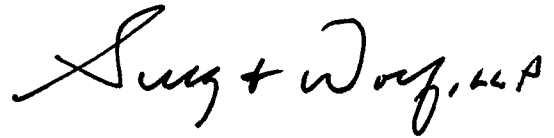
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Waterbury, Connecticut, as of June 30, 2003, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Management's discussion and analysis and budgetary comparison information on pages 10 through 17 and 60 through 65 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 17, 2003 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Waterbury's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and schedules, and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

December 17, 2003

A handwritten signature in black ink, appearing to read "Susan + Wozniak". The signature is written in a cursive, flowing style.

CITY OF WATERBURY, CONNECTICUT

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2003

This discussion and analysis of the City of Waterbury, Connecticut's ("City") financial performance is provided by management to provide an overview of the City's financial activities for the fiscal year ended June 30, 2003. Please read this MD&A in conjunction with the transmittal letter beginning on page 1 and the City's financial statements, Exhibits I to IX.

FINANCIAL HIGHLIGHTS

- The City's net assets increased as a result of this year's operations. Net assets of our business-type activities increased by \$10.6 million, or nearly 8.1 percent. Net assets of our governmental activities increased by \$17.4 million, or nearly 51.9 percent.
- During the year, the City had expenses that were \$17.4 million less than the \$372.3 million generated in tax, transfers, and other revenues for governmental programs.
- In the City's business-type activities, revenues decreased \$1.2 million (or 3.3 percent) while expenses decreased by 11.1 percent.
- Total cost of all of the City's programs was \$373.8 million with no new programs added this year.
- The General Fund reported a fund balance this year of \$18.9 million.
- The resources available for appropriation were \$7.6 million more than budgeted for the General Fund. Expenditures were kept within spending limits.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of a series of financial statements. The statement of net assets and the statement of activities (Exhibits I and II, respectively) provide information about the activities of the City as a whole and present a longer-term view of the City's finances. Fund financial statements are presented in Exhibit III to IX. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds. The remaining statements provide financial information about activities for which the City acts solely as a trustee or agent for the benefit of those outside of the government.

Government-Wide Financial Statements

The analysis of the City as a whole begins on Exhibit I and II. The statement of net assets and the statement of activities report information about the City as a whole and about its activities for the current period. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the City's net assets and changes in them. The City's net assets, the difference between assets and liabilities, is one way to measure the City's financial health, or financial position. Over time, increases or decreases in the City's net assets are one indicator of whether its financial health is improving or deteriorating. The reader needs to consider other non-financial factors, however, such as changes in the City's property tax base and the condition of the City's capital assets, to assess the overall health of the City.

In the statement of net assets and the statement of activities, we divide the City into three types of activities:

- *Governmental activities* – Most of the City’s basic services are reported here, including education, public safety, public works, public health, public assistance, and parks and recreation, and general administration. Property taxes, charges for services, and state and federal grants finance most of these activities.
- *Business - type activities* – The City charges a fee to customers to help it cover all or most of the cost of certain services it provides. The City’s Bureau of Water Enterprise Fund and Waste Treatment Enterprise Fund are reported here.
- *Component units* – The City includes the Waterbury Parking Authority (discretely presented) and the Waterbury Development Agency (blended presentation) in the City’s basic financial statements. These component units are important because the City is financially accountable for them.

Fund Financial Statements

The fund financial statements begin with Exhibit III and provide detailed information about the most significant funds – not the City as a whole. Some funds are required to be established by Charter. However, the City establishes many other funds to help control and manage financial activities for particular purposes (like the Park Department Fund and Police Private Duty Fund) or to show that it is meeting legal responsibilities for using grants, and other money (like grants accounted for in the Special Education Grants and Community Development Funds). The City’s funds are divided into three categories; governmental, proprietary and fiduciary.

- *Governmental funds (Exhibit III and IV)* – Most of the City’s basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City’s general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City’s programs. The relationship (or differences) between governmental activities (reported in the statement of net assets and the statement of activities) and governmental funds is described in a reconciliation at the bottom of the fund financial statements.
- *Proprietary funds (Exhibit V, VI, and VII)* – When the City charges customers for the services it provides, whether to outside customers or to other units of the City, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the statement of net assets and the statement of activities. In fact the City’s enterprise funds (a component of proprietary funds) are the same as the business-type activities reported in the government-wide statements, but provide more detail and additional information, such as cash flows, for proprietary funds. Internal service funds (the other component of proprietary funds) are used to report activities that provide supplies and services for the City’s other programs and activities – such as the City’s Self Insured Internal Service Funds.
- *Fiduciary funds (Exhibit VIII and IX)* – The City is the trustee, or fiduciary, for its employees’ pension plan. All of the City’s fiduciary activities are reported in separate statements of fiduciary net assets and changes in fiduciary net assets. These activities are excluded from the City’s other financial statements because the City cannot use these assets to finance its operations. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The City's combined net assets improved from a year ago increasing from a \$(33.5) million deficit to \$(16.1) million. The analysis below focuses on the net assets (Table 1) and changes in net assets (Table 2) of the City's governmental and business-type activities.

Table 1
Net Assets
(in thousands)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>
Current and other assets	\$ 155,445	\$ 151,820	\$ 45,261	\$ 32,175	\$ 200,706	\$ 183,995
Capital assets.....	<u>170,404</u>	<u>173,072</u>	<u>204,195</u>	<u>207,057</u>	<u>374,599</u>	<u>380,129</u>
Total assets	<u>325,849</u>	<u>324,892</u>	<u>249,456</u>	<u>239,232</u>	<u>575,305</u>	<u>564,124</u>
Long-term outstanding	315,788	324,638	104,100	95,641	419,888	420,279
Other liabilities.....	<u>26,163</u>	<u>33,760</u>	<u>3,185</u>	<u>12,033</u>	<u>29,348</u>	<u>45,793</u>
Total liabilities.....	<u>341,951</u>	<u>358,398</u>	<u>107,285</u>	<u>107,674</u>	<u>449,236</u>	<u>466,072</u>
Net assets:						
Invested in capital assets, net of debt	133,948	132,832	109,675	111,721	243,623	244,553
Restricted	10,927	11,084			10,927	11,084
Unrestricted (deficit).....	<u>(160,977)</u>	<u>(177,422)</u>	<u>32,496</u>	<u>19,837</u>	<u>(128,481)</u>	<u>(157,585)</u>
Total net assets.....	<u>\$ (16,102)</u>	<u>\$ (33,506)</u>	<u>\$142,171</u>	<u>\$131,558</u>	<u>\$ 126,069</u>	<u>\$ 98,052</u>

Net assets of the City's governmental activities increased by 51.9 percent (\$16.1) million compared to (\$33.5) million. Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements is a deficit \$161 million at the end of this year.

The net assets of business-type activities increased by 8.1 percent (\$142.2 million compared to \$131.6 million) in 2003. This increase, however, cannot be used to make up for the deficit reported in governmental activities. The City generally can only use these net assets to finance the continuing operations of the Bureau of Water and Waste Treatment Enterprise Funds.

Table 2
Changes In Net Assets
(in thousands)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>
Revenues:						
Program revenues:						
Charges for services.....	\$ 8,282	\$ 7,583	\$33,023	\$34,480	\$ 41,305	\$ 42,063
Operating grants and contributions	150,357	148,847			150,357	148,847
Capital grants and contributions	3,826	8,082	1,388	1,049	5,214	9,131
General revenues:						
Property taxes	179,980	164,403			179,980	164,403
Grants and contributions not restricted to specific purposes.....	22,360	27,572			22,360	27,572
Unrestricted investment earnings.....	2,165	2,454	160	217	2,325	2,671
Other general revenues	<u>278</u>	<u>3,164</u>			<u>278</u>	<u>3,164</u>
Total revenues	<u>367,248</u>	<u>362,105</u>	<u>34,571</u>	<u>35,746</u>	<u>401,819</u>	<u>397,851</u>
Program expenses:						
General government	8,259	8,977			8,259	8,977
General financial	91,228	83,100			91,228	83,100
Public works	17,933	13,401			17,933	13,401
Public safety	47,735	46,905			47,735	46,905
Public health	4,079	4,235			4,079	4,235
Public assistance	2,390	6,373			2,390	6,373
Education	165,286	153,266			165,286	153,266
Parks and recreation.....	5,723	5,972			5,723	5,972
Library	3,279	2,590			3,279	2,590
Interest on long-term debt.....	7,910	6,885			7,910	6,885
Other	1,072	3,487			1,072	3,487
Bureau of Water			7,057	7,424	7,057	7,424
Waste Treatment.....			<u>11,851</u>	<u>13,768</u>	<u>11,851</u>	<u>13,768</u>
Total program expenses.	<u>354,894</u>	<u>335,191</u>	<u>18,908</u>	<u>21,192</u>	<u>373,802</u>	<u>356,383</u>
Excess (deficiency) before transfers	12,354	26,914	15,663	14,554	28,017	41,468
Transfers	<u>5,050</u>	<u>5,746</u>	<u>(5,050)</u>	<u>(5,746)</u>		
Increase in net assets.....	<u>\$ 17,404</u>	<u>\$ 32,660</u>	<u>\$10,613</u>	<u>\$ 8,808</u>	<u>\$ 28,017</u>	<u>\$ 41,468</u>

Note: Program expenses for 2002 does not include depreciation expense for infrastructure assets.

The City's total revenues was \$401.8 million. The total cost of all programs and services was \$373.8 million. Our analysis below separately considers the operations of governmental and business-type activities.

Governmental Activities

Table 3 presents the cost of each of the City's five largest programs – general government, general financial, public works, public safety, and education – as well as each program's net cost (total cost less revenues generated by the activities). The net cost shows the financial burden that was placed on the City's taxpayers by each of these functions.

Table 3
Governmental Activities
(in thousands)

	<u>Total Cost of Services</u>		<u>Net Cost of Services</u>	
	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>
General government.....	\$ 8,259	\$ 8,977	\$ 6,946	\$ 7,912
General financial.....	91,228	83,100	86,800	79,931
Public works.....	17,933	13,401	15,880	9,575
Public safety.....	47,735	46,905	43,391	40,399
Education	165,286	153,266	23,488	13,852
All others.....	<u>24,453</u>	<u>29,542</u>	<u>15,924</u>	<u>19,010</u>
Totals	<u>\$354,894</u>	<u>\$335,191</u>	<u>\$192,429</u>	<u>\$170,679</u>

Business-type Activities

Revenues of the City's business-type activities (see Table 2) decreased by 3.3% percent (\$34.6 million in 2003 compared to \$35.7 million in 2002) and expenses decreased by 11.1 percent.

The factors influencing these results include:

- Bureau of Water revenues decreased due primarily to an increase in amounts recognized as uncollectible.
- Expenses decreased due to vacancies in Waste Treatment, which lowered salary costs as well as delayed certain projects and maintenance activities.

CITY FUNDS FINANCIAL ANALYSIS

Governmental Funds

As the City completed the year, its governmental funds (as presented in the balance sheet – Exhibit III) reported a combined fund balance of \$61.4 million, which is an increase from last year's total of \$53.8 million. Included in this year's total change in fund balance, is an increase of \$4.8 million in the City's General Fund.

The primary reason for the General Fund's \$4.8 million increase in unreserved fund balance is due to favorable variances between budget and actual for revenues (\$7.6 million) and expenditures (\$3.5 million) offset by a \$5.5 million use of prior year fund balance to fund capital projects. The primary variance in actual revenues resulted from a significant increase in property tax collections. Expenditures were below budget across nearly all departments with the biggest variances in Public Works and Public Safety.

Proprietary Funds

The City's self-insured programs for Health Benefits, General Liability, Workers' Compensation, and Heart and Hypertension are reported as internal service funds of the City. The combined net assets deficit in the internal service funds of \$(1.0) million as reported in Exhibit V, is a decrease of \$3.9 million from last years net assets of \$2.8 million. The primary reason for the decrease in net assets is due to a \$6.1 million decrease in Workers' Compensation and a \$2.3 million decrease in Heart and Hypertension offset by increases in Health Benefits (\$2 million) and General Liability (\$2.5 million). The majority of the changes in each fund are due to increases/decreases in reserve levels.

General Fund Budgetary Highlights

The adopted budget for 2003 of \$304.2 million was an increase of \$13.1 million from 2002. \$11.4 million of this budgeted increase was to be derived from increased property tax collections. The tax rate decrease to 54.86 from 97.78 reflected the first property revaluation in 22 years. Actual collections exceeded budget producing a favorable variance of \$7.9 million. In total, actual property tax collections increased approximately \$20 million in 2003.

Expenditures also were favorable to budget and lower than prior year in the majority of categories. Notable increases in budgeted expenditures compared to prior year actual were in Education (approximately \$10 million), Debt Service Fund transfers (\$4 million), and Pension Fund contributions (\$1 million). Offsetting these increases were budget reductions across the majority of departments. No new programs were introduced during the year. Compared to budget, actual expenditures were favorable by \$3.5 million, representing savings from the majority of departments.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2003, the City had \$374.6 million invested in a broad range of capital assets, including land, buildings, park facilities, vehicles and equipment, roads and bridges, and water and sewer facilities and lines – Table 4. This amount represents a net decrease (including additions, deductions and depreciation) of \$5.5 million, or 14.5 percent, over last year.

Table 4
Capital Assets at Year-end (Net of Depreciation)
(in thousands)

	<u>Governmental</u>		<u>Business-Type</u>		<u>Total</u>	
	<u>Activities</u>		<u>Activities</u>		<u>Primary Government</u>	
	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>
Land	\$ 13,951	\$ 14,135	\$ 1,869	\$ 1,887	\$ 15,820	\$ 16,022
Buildings, utility plant, and improvements.....	94,980	94,216	108,286	110,803	203,266	205,019
Infrastructure.....	49,774	52,310	66,264	67,267	116,038	119,577
Machinery and equipment.....	9,290	11,171	24,564	25,858	33,854	37,029
Vehicles	2,409	1,210	306	378	2,715	1,588
Construction in progress			2,906	864	2,906	864
Totals	<u>\$170,404</u>	<u>\$173,042</u>	<u>\$204,195</u>	<u>\$207,057</u>	<u>\$374,599</u>	<u>\$380,099</u>

More detailed information about the City's capital assets is presented in Note 6 to the financial statements.

Long-term debt

At June 30, 2003 the City had \$236.4 million in bonds and notes outstanding versus \$236.5 million last year – as shown in Table 5.

Table 5
Outstanding Debt, at Year-end
(in millions)

	<u>Governmental</u> <u>Activities</u>		<u>Business-Type</u> <u>Activities</u>		<u>Totals</u>	
	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>
General obligation bonds (backed by the City)	<u>\$151.8</u>	<u>\$161.2</u>	<u>\$84.6</u>	<u>\$75.3</u>	<u>\$236.4</u>	<u>\$236.5</u>

New debt resulted mainly from the issuance of \$11.5 million in serial notes payable to the State of Connecticut for Clean Water Fund projects.

The State limits the amount of general obligation debt that cities can issue based on formula determined under State Statutes based on type of debt and tax base. The City's outstanding general obligation debt is significantly below this \$1.3 billion state-imposed limit.

Other obligations include accrued vacation pay and sick leave. More detailed information about the City's long-term liabilities is presented in Note 9 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

City revenues have grown significantly in the past two years (to \$401.8 million in fiscal year 2003 from \$397.8 million in 2002) largely due to an increase in property tax collections. Increases were necessary to begin to address pension plan underfunding, to fund capital improvements, to cover increases in health benefit costs, and to build fund balance. The City's current level of property tax collections appear to have reached a sustainable, elevated baseline that allows partial funding of the pension plan deficit and capital asset investments.

The City is now on a good glide path but this will need to continue for many years principally due to the unfunded pension actuarial accrued liability of \$446 million at June 30, 2003. The City has adopted an ordinance that greatly strengthens the Retirement Board and provides for mandatory minimum actuarial based contributions from the General Fund for the next five years ranging from \$39 million to \$43 million.

The adopted budget for fiscal year 2003-04 of \$315.2 million is an increase of \$11 million from the adopted budget of \$304.2 for the fiscal year 2002-03. An increase in general property tax collections is expected to lead this increase. The tax rate was established at 53.31 mills to fund the 2004 budget. The tax rate is a decrease of 1.55 mills compared with the 2003 budget established tax rate of 54.86. The tax rate decrease is primarily attributable to a 3% increase in the grand list due to property revaluation. Also, the Tax Collector's Office has implemented collection procedures permissible by law to increase delinquent tax collections. The City's Office of Budget Control as of October 31, 2003 projects a positive budgetary result of operations for the 2004 fiscal year at \$0.5 million as expenditures are projected to be lower than budgetary appropriations.

The City is also highly dependent on funds from the State of Connecticut. Although Connecticut appears to be joining the rest of the nation in an economic upturn, the State's current budget was set after a difficult budget making process that included the use of one-time revenues. So, as the City begins to prepare its 2004-2005 budget, it does so with the knowledge there will be pressures on revenues because the State is not likely to significantly boost its own spending on grants to cities and towns and that local property tax collections have already jumped. Further, the City's unemployment rate suggests that there remains sluggishness in the local economy. As of November 2003, the City's current unemployment rate of 7.7% has increased from 7.2% in December 2002. The local metropolitan area unemployment rate is 6.1% compared with 5.5% a year ago. The State of Connecticut's current unemployment rate is 4.5% compared with the national rate of 5.6%.

The consumer price index in the northeast urban areas continues to be higher than the national consumer price index. Inflation for 2003 for the northeast urban area was 2.9% while for all urban cities in the United States this rate was 2.0%

On the expenditure side, while new programs and services offered by the City will be minimal, the City's upcoming budget will be pressured by inflation on employee salary and benefits as well as upcoming capital spending needs, particularly in school buildings. However, the City has specific plans to offset salary and benefit inflation with savings from efficiency studies in several departments, among several other initiatives. Additionally, school infrastructure spending should be partially offset by State funds and the City hopes to be able to issue bonds as its debt service, already relatively low, further decreases after fiscal year 2005.

In the City's business-type activities, the Bureau of Water user fees remain unchanged for fiscal year 2004 and Waste Treatment user fees were decreased 4.5% compared with the 2003 rates. The City is continuing to improve user fee collection efforts on delinquent accounts.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide citizens, taxpayers, customers, investors, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Finance Department, City of Waterbury, 235 & 236 Grand Street, Waterbury, Connecticut 06702.

CITY OF WATERBURY, CONNECTICUT

STATEMENT OF NET ASSETS

JUNE 30, 2003

(thousands)

	.....PRIMARY GOVERNMENT.....			.COMPONENT UNIT.
	GOVERNMENTAL	BUSINESS-TYPE	TOTAL	WATERBURY PARKING AUTHORITY
	ACTIVITIES	ACTIVITIES		
ASSETS:				
Cash and cash equivalents	\$ 103,526	\$ 20,970	\$ 124,496	\$ 440
Investments	701		701	
Receivables, net	47,201	23,699	70,900	2
Due from component unit	2,813		2,813	
Inventory	106	482	588	
Deferred charges	1,098		1,098	16
Other current assets		110	110	7
Capital assets, net	170,404	204,195	374,599	8,169
Total assets	325,849	249,456	575,305	8,634
LIABILITIES:				
Accounts payable and accrued expenses	21,477	2,644	24,121	184
Deferred revenue	3,206	541	3,747	
Due to primary government				2,813
Unamortized bond premiums	1,480		1,480	
Noncurrent liabilities:				
Due within one year	33,342	8,656	41,998	103
Due in more than one year	282,446	95,444	377,890	583
Total liabilities	341,951	107,285	449,236	3,683
NET ASSETS:				
Invested in capital assets, net of related debt ..	133,948	109,675	243,623	7,516
Restricted for trust purposes:				
Trust purposes	837		837	
Debt service	10,090		10,090	
Unrestricted	(160,977)	32,496	(128,481)	(2,565)
Total net assets	\$ (16,102)	\$142,171	\$ 126,069	\$ 4,951

The accompanying notes are an integral part of these financial statements.

CITY OF WATERBURY, CONNECTICUT

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2003

(thousands)

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES			.....NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS.....		TOTAL	.COMPONENT UNIT. WATERBURY PARKING AUTHORITY
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES		
Primary Government:								
Governmental activities:								
General government.....	\$ 8,259	\$ 1,280	\$ 33		\$ (6,946)		\$ (6,946)	
General financial.....	91,228		4,428		(86,800)		(86,800)	
Public works.....	17,933	280	1,258	\$ 515	(15,880)		(15,880)	
Public safety.....	47,735	2,999	1,345		(43,391)		(43,391)	
Public health.....	4,079	204	1,654		(2,221)		(2,221)	
Public assistance.....	2,390		2,623		233		233	
Education.....	165,286	1,608	137,210	2,980	(23,488)		(23,488)	
Park and recreation.....	5,723	1,822	91	331	(3,479)		(3,479)	
Library.....	3,279	89	1,097		(2,093)		(2,093)	
Interest on long-term debt.....	7,910		14		(7,896)		(7,896)	
Other.....	1,072		604		(468)		(468)	
Total governmental activities..	354,894	8,282	150,357	3,826	(192,429)		(192,429)	
Business-type activities:								
Bureau of Water.....	7,057	11,934				\$ 4,877	4,877	
Waste Treatment.....	11,851	21,089		1,388		10,626	10,626	
Total primary government ...	\$373,802	\$41,305	\$150,357	\$5,214	(192,429)	15,503	(176,926)	
Component Unit:								
Waterbury Parking Authority.....	\$1,048	\$964						\$ (84)
General revenues:								
Property taxes					179,980		179,980	
Grants and contributions not restricted to specific programs					22,360		22,360	
Unrestricted investment earnings					2,165	160	2,325	
Miscellaneous					278		278	
Transfers					5,050	(5,050)		
Total general revenues and transfers					209,833	(4,890)	204,943	
Change in net assets.....					17,404	10,613	28,017	(84)
Net assets, July 1, 2002, as restated					(33,506)	131,558	98,052	5,035
Net assets, June 30, 2003					\$ (16,102)	\$142,171	\$ 126,069	\$4,951

The accompanying notes are an integral part of these financial statements.

CITY OF WATERBURY, CONNECTICUT

GOVERNMENTAL FUNDS

BALANCE SHEET

JUNE 30, 2003

(thousands)

	GENERAL	DEBT SERVICE	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
<u>A S S E T S</u>				
Cash and cash equivalents	\$27,494	\$12,154	\$28,013	\$67,661
Investments			701	701
Receivables, net	30,241	48	16,716	47,005
Due from component units	2,813			2,813
Inventories			106	106
TOTAL	\$60,548	\$12,202	\$45,536	\$118,286
<u>L I A B I L I T I E S</u> <u>A N D</u> <u>F U N D B A L A N C E S</u>				
Liabilities:				
Accounts payable and accrued expenses	\$10,730		\$ 7,842	\$ 18,572
Deferred revenue	30,958		7,361	38,319
Total liabilities	41,688		15,203	56,891
Fund balances:				
Reserved		\$12,202	3,935	16,137
Unreserved, reported in:				
General Fund	18,860			18,860
Special Revenue Funds			5,084	5,084
Capital Project Fund			21,314	21,314
Total fund balances	18,860	12,202	30,333	61,395
TOTAL	\$60,548	\$12,202	\$45,536	
Amounts reported for governmental activities in the statement of net assets are different because:				
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds				170,404
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds				36,516
Internal service funds are used by management to charge the costs of risk management to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets				(1,032)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds				(283,385)
Net assets of governmental activities				\$ (16,102)

The accompanying notes are an integral part of these financial statements

CITY OF WATERBURY, CONNECTICUT

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2003

(thousands)

	GENERAL	DEBT SERVICE FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
Revenues:				
Property taxes	\$177,721			\$177,721
Intergovernmental	122,782		\$48,197	170,979
Investment income	1,117	\$ 430	4	1,551
Charges for services	3,054		4,180	7,234
Reimbursements	4,861			4,861
Other	2,101	40	1,051	3,192
Total revenues	311,636	470	53,432	365,538
Expenditures:				
Current:				
General government	6,746		1,271	8,017
Public works	13,070		1,304	14,374
Public safety	41,615		2,743	44,358
Public health	2,607		1,669	4,276
Public assistance			4,037	4,037
Education	128,345		37,488	165,833
Parks and recreation	3,240		1,945	5,185
Library	1,501		1,736	3,237
Development			32	32
Benefits	89,358			89,358
Other	1,040			1,040
Capital outlay			5,883	5,883
Debt service		14,361		14,361
Total expenditures	287,522	14,361	58,108	359,991
Excess (deficiency) of revenues over expenditures	24,114	(13,891)	(4,676)	5,547
Other financing sources (uses):				
Transfers in	4,898	15,256	8,946	29,100
Transfers out	(24,202)		(2,856)	(27,058)
Proceeds of refunding bonds		13,330		13,330
Payment to refunded bond escrow agent		(13,906)		(13,906)
Net original issue premium		884		884
Cost of issuance and other bonding cost		(308)		(308)
Total other financing sources (uses)	(19,304)	15,256	6,090	2,042
Net change in fund balances	4,810	1,365	1,414	7,589
Fund balance, July 1, 2002	14,050	10,837	28,919	
Fund balance, June 30, 2003	\$ 18,860	\$ 12,202	\$30,333	
Amounts reported for governmental activities in the statement of activities (Exhibit II) are different because:				
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period				(2,668)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. Bond and capital lease proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount by which repayments exceeded proceeds				2,750
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds				10,241
Internal service funds are used by management to charge the costs of risk management to individual funds. The net revenue (expense) of the internal service fund is reported with governmental activities				3,359
				(3,867)
Change in net assets of governmental activities (Exhibit II)				\$ 17,404

The accompanying notes are an integral part of these financial statements.

CITY OF WATERBURY, CONNECTICUTPROPRIETARY FUNDSSTATEMENT OF NET ASSETS
JUNE 30, 2003

(thousands)

	BUSINESS-TYPE ACTIVITIES.....			GOVERNMENTAL ..ACTIVITIES..
	BUREAU OF WATER ENTERPRISE FUND	WASTE TREATMENT ENTERPRISE FUND	TOTAL	INTERNAL SERVICE FUNDS
ASSETS:				
Current assets:				
Cash and cash equivalents.....	\$ 4,735	\$ 16,235	\$ 20,970	\$35,865
Receivables, net.....	11,325	12,374	23,699	196
Inventories.....	482		482	
Other.....	110		110	
Total current assets.....	16,652	28,609	45,261	36,061
Noncurrent assets:				
Capital assets, net.....	55,065	149,130	204,195	
Total assets.....	71,717	177,739	249,456	36,061
LIABILITIES:				
Current liabilities:				
Accounts payable and accrued expenses.....	592	2,052	2,644	758
Capital lease obligations.....		316	316	
Interim funding obligation loans.....		3,088	3,088	
Bonds and serial notes payable.....	1,000	4,252	5,252	
Risk management claims.....				11,607
Deferred revenue.....		541	541	305
Total current liabilities.....	1,592	10,249	11,841	12,670
Noncurrent liabilities:				
Capital lease obligations.....		6,535	6,535	
Bonds and notes payable.....	1,000	78,329	79,329	
Compensated absences.....	405	141	546	
Risk management claims.....				24,423
Deferred revenue.....		9,034	9,034	
Total noncurrent liabilities.....	1,405	94,039	95,444	24,423
Total liabilities.....	2,997	104,288	107,285	37,093
NET ASSETS:				
Invested in capital assets, net of related debt.....	53,065	56,610	109,675	
Unrestricted.....	15,655	16,841	32,496	(1,032)
Total net assets.....	\$68,720	\$73,451	\$142,171	\$(1,032)

The accompanying notes are an integral part of these financial statements.

CITY OF WATERBURY, CONNECTICUTPROPRIETARY FUNDSSTATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2003

(thousands)

	BUSINESS-TYPE ACTIVITIES.....			GOVERNMENTAL ACTIVITIES.
	BUREAU OF WATER ENTERPRISE FUND	WASTE TREATMENT ENTERPRISE FUND	TOTAL	INTERNAL SERVICE FUNDS
Operating revenues:				
Operations.....	\$11,934	\$21,089	\$ 33,023	
Employer premiums.....				\$48,226
Charges for services.....				5,154
Other.....				591
Total operating revenues	11,934	21,089	33,023	53,971
Operating expenses:				
Operations.....	5,294	6,329	11,623	
Depreciation.....	1,612	3,874	5,486	
Benefits, claims and administration.....				58,452
Total operating expenses	6,906	10,203	17,109	58,452
Operating income (loss).....	5,028	10,886	15,914	(4,481)
Nonoperating income (loss):				
Capital grants.....		1,388	1,388	
Interest expense.....	(151)	(1,648)	(1,799)	
Investment income.....	42	118	160	614
Total nonoperating income (loss)	(109)	(142)	(251)	614
Net income (loss) before transfers.....	4,919	10,744	15,662	(3,867)
Transfers:				
Transfers out.....	(2,568)	(2,482)	(5,050)	
Change in net assets.....	2,351	8,262	10,613	(3,867)
Total net assets, July 1, 2002, as restated	66,369	65,189	131,558	2,835
Total net assets, June 30, 2003.....	\$68,720	\$73,451	\$142,171	\$(1,032)

The accompanying notes are an integral part of these financial statements.

CITY OF WATERBURY, CONNECTICUTPROPRIETARY FUNDSSTATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2003

(thousands)

	.....BUSINESS-TYPE ACTIVITIES.....			GOVERNMENTAL ACTIVITIES.
	BUREAU OF WATER ENTERPRISE FUND	WASTE TREATMENT ENTERPRISE FUND	TOTAL	INTERNAL SERVICE FUNDS
Cash flows from operating activities:				
Cash received from operations.....	\$11,224	\$20,125	\$ 31,349	
City's contribution.....				\$ 48,226
Cash received from employees and other.....				5,872
Cash payments to vendors, employees and other.....	(5,177)	(6,593)	(11,770)	(54,107)
Net cash provided (used) by operating activities	6,047	13,532	19,579	(9)
Cash flows from capital and related financing activities:				
Capital grants and notes.....		532	532	
Acquisition and construction of capital assets.....	(561)	(1,042)	(1,603)	
Principal payment - bonds, notes, and leases.....	(1,000)	(4,685)	(5,685)	
Proceeds from bonds and notes.....		612	612	
Interest paid on bonds and notes.....	(171)	(1,593)	(1,764)	
Net cash provided (used) by capital and related financing activities	(1,732)	(6,176)	(7,908)	
Cash flows from noncapital and related financing activities:				
Transfers from other funds.....		2,826	2,826	
Transfers to other funds.....	(2,568)	(2,300)	(4,868)	
Net cash provided (used) by noncapital and related financing activities	(2,568)	526	(2,042)	
Cash flows from investing activities:				
Income on investments.....	42	118	160	614
Net increase in cash and cash equivalents.....	1,789	8,000	9,789	605
Cash and cash equivalents, July 1, 2002.....	2,946	8,235	11,181	35,260
Cash and cash equivalents, June 30, 2003.....	\$ 4,735	\$16,235	\$ 20,970	\$ 35,865

The accompanying notes are an integral part of these financial statements.

(Continued) - 1.

CITY OF WATERBURY, CONNECTICUTPROPRIETARY FUNDSSTATEMENT OF CASH FLOWS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2003

(thousands)

	BUSINESS-TYPE ACTIVITIES			GOVERNMENTAL ACTIVITIES
	BUREAU OF WATER ENTERPRISE FUND	WASTE TREATMENT ENTERPRISE FUND	TOTAL	INTERNAL SERVICE FUNDS
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES				
Operating income (loss).....	\$5,028	\$10,886	\$15,914	\$ (4,481)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation expense.....	1,612	3,874	5,486	
(Increase) decrease in receivables.....	(710)	(964)	(1,674)	(178)
(Increase) decrease in inventory.....	(44)		(44)	
(Increase) decrease in other assets.....	(91)		(91)	
Increase (decrease) in accounts payable and accrued expenses...	61	20	81	(106)
Increase (decrease) in compensated absences.....	191	50	241	
Increase (decrease) in risk management claim liabilities.....				4,451
Increase (decrease) in deferred revenue.....				305
Increase (decrease) in due to other funds.....		(334)	(334)	
Total adjustments	1,019	2,646	3,665	4,472
Net cash provided by operating activities.....	\$6,047	\$13,532	\$19,579	\$ (9)

The accompanying notes are an integral part of these financial statements.

CITY OF WATERBURY, CONNECTICUTFIDUCIARY FUNDSSTATEMENT OF FIDUCIARY NET ASSETS
JUNE 30, 2003

(thousands)

	PENSION TRUST FUND	STUDENT ACTIVITIES AGENCY FUNDS
ASSETS:		
Cash and cash equivalents	\$ 9,228	\$416
Investments	15,190	
Receivable, net	<u>16</u>	<u> </u>
Total assets	<u>24,434</u>	<u>\$416</u>
LIABILITIES:		
Deposits held for others	<u> </u>	\$416
Total liabilities	<u> </u>	<u>\$416</u>
NET ASSETS:		
Held in trust for pension benefits	<u>\$24,434</u>	

The accompanying notes are an integral part of these financial statements.

CITY OF WATERBURY, CONNECTICUTFIDUCIARY FUNDSSTATEMENT OF CHANGES IN PLAN NET ASSETS
PENSION TRUST FUND

FOR THE YEAR ENDED JUNE 30, 2003

(thousands)

Additions:

Contributions:

Employer.....	\$36,000
Plan members.....	<u>5,892</u>

Total contributions.....	41,892
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Investment income (loss):

Net depreciation in fair value of investments.....	\$ 205
Interest and dividends.....	<u>509</u>

Total.....	714
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Other.....	<u>3</u>
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Total additions.....	42,609
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Deductions:

Benefits.....	37,776
Refunds.....	694
Other.....	<u>16</u>

Total deductions.....	<u>38,486</u>
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Net increase.....	4,123
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Net assets held in trust for pension benefits, July 1, 2002.....	<u>20,311</u>
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Net assets held in trust for pension benefits, June 30, 2003.....	<u>\$24,434</u>
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The accompanying notes are an integral part
of this financial statement.

CITY OF WATERBURY, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2003

(amounts expressed in thousands)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Waterbury (the "City") have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant policies of the City are described below.

A. Reporting Entity

Waterbury was founded in 1674, incorporated as a village in 1686 and became a City in 1853. The City operates under a Mayor-Board of Aldermen form of government with officials elected at regular biennial elections. Budgeting and all other financial matters are supervised by the Board of Finance which consists of seven members. Included in the services provided by the City are public safety, highways and streets, sanitation, health and social services, culture, recreation, education, public improvement, planning and zoning, and general administrative services.

Special Act 01-1 of the State of Connecticut General Assembly (the "Act"), as amended by Special Act 01-2 of the June 2001 Special Legislative Session, established the City of Waterbury Financial Planning and Assistance Board (the "WFPAB"). The WFPAB was established by the Act to review the financial affairs of the City, to assist the City in achieving access to public credit markets, and to assist the City in funding its accumulated deficits and restoring its financial stability. The WFPAB exercises broad authority over the City's financial affairs.

Discretely Presented Component Unit

Waterbury Parking Authority

The Waterbury Parking Authority ("WPA") was created by State of Connecticut Special Act No. 611 on August 11, 1955 for the purpose of establishing and operating the on and off street parking activities of the City. The WPA operates three parking garages and various metered sites and is funded by garage and meter collections.

Blended Component Unit

Waterbury Development Agency

The Waterbury Development Agency ("WDA") was established in 1949 to administer various programs including urban renewal and economic development, central relocation and housing development. Within the WDA are included the activities of the Waterbury Housing Assistance Program, Inc. which administers similar types of activities. The WDA is principally funded by land sales and grants.

Related Organization

The Mayor is responsible for appointing board members to the City's Housing Authority and the Naugatuck Valley Development Corporation. The City's accountability for these organizations extends beyond making these appointments. The City is liable for any environmental liabilities associated with NVDC's Brass Mill Center Project.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the City and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the City is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

The various types included in the financial statements are described below:

Governmental Funds

Governmental Funds are those through which most governmental functions typically are financed.

General Fund - the primary operating fund of the City. This fund is used to account for all financial transactions and resources except those required to be accounted for in another fund. Revenues are derived primarily from property taxes, state and federal grants, licenses, permits, charges for service, and interest income.

Special Revenue Funds - account for revenue derived from specific sources (other than major capital projects) that are restricted by legal and regulatory provisions to finance specific activities.

Capital Project Funds - account for all financial resources used for the acquisition or construction of major capital facilities not being financed by proprietary funds.

Debt Service Fund - accounts for the payment of principal and interest on general long-term debt of the City.

Proprietary Funds

Proprietary funds are used to account for activities that are similar to those often found in the private sector. These funds are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. The following are the City's proprietary funds:

Enterprise Funds - account for operations that are financed in a manner similar to private business enterprises, where the intent is that costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. The Bureau of Water Fund and Waste Treatment are Fund the City's two enterprise funds.

Internal Service Funds - account for the financing of goods or services provided by one department to other departments or agencies of the City on a cost-reimbursement basis. The Health Benefits, General Liability, Workers' Compensation, and Heart and Hypertension Fund are the City's four internal service funds.

Fiduciary Funds

Fiduciary Funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, and other governments. Fiduciary funds are not included in the government-wide statements. The fiduciary funds are as follows:

Pension Trust Fund - accounts for the Waterbury Retirement System.

Agency Funds - are custodial in nature (assets equal liabilities) and do not involve measurement of results of operation. The school system Student Activity Fund is the City's only agency fund.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary funds and pension trust fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, charges for services, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received.

The City reports the following major governmental funds:

The General Fund is the City's primary operating fund. It accounts for all financial resources of the City, except those required to be accounted for in another fund.

The Debt Service Fund accounts for financial resources transferred in from other funds to fund debt service obligations. In addition, the Debt Service Fund is used to account for the special reserve for debt service required by Special Act 01-1.

The City reports the following major proprietary funds:

The Bureau of Water Enterprise Fund accounts for the operation of the City's water distribution system.

The Waste Treatment Fund accounts for the operation of the sewage treatment plant and collection systems.

Additionally, the City reports the following fund types:

The Internal Service Funds account for the City's risk management function.

The Pension Trust Fund accounts for the activities of the City of Waterbury Retirement System, which accumulates resources for pension benefit payments to qualified City employees.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and enterprise fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between certain City's functions because the elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include property taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the bureau of water and waste treatment enterprise funds, and of the City's internal service funds are charges to customers for sales and services. Operating expenses for enterprise funds and internal service fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Deposits and Investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the City and the component units to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds, repurchase agreements, and certain other investments as described in Note 4-A.

Investments for the City, as well as for its component units, are reported at fair value.

E. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds". Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances." All trade and property tax receivables, including those for component units, are shown net of an allowance for uncollectibles. The property tax receivable allowance of \$4,791 is equal to 17.5% of outstanding property taxes at June 30, 2003.

Real, personal and motor vehicle property taxes are levied on the assessed value at the rate enacted by the Board of Aldermen in the annual budget ordinance.

Property taxes are levied on all assessed property on the Grand List of October 1 prior to the beginning of the fiscal year and are billed on the following July 1 and January 1. Taxes are overdue on August 1 and February 1. Interest at the rate of 1-1/2% per month accrues on all overdue taxes. If taxes are unpaid as of June 30, following the payable date, a lien is placed on the real property. Property assessments are made at 70% of the market value.

Property tax revenues are recognized when they become measurable and available. Available means due, or past due and collectible within 60 days of the end of the current period. The amount of property taxes receivable but not recorded as revenue is recorded as a deferred revenue. Deferred revenue resulting from the accounting for property taxes is \$20,529.

F. Inventories and Prepaid Items

All inventories are valued at cost using the first-in/first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

G. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$10,000 (amount not rounded). Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The City has not retroactively reported infrastructure assets in the statement of net assets.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Property, plant, and equipment of the primary government, as well as the component units, is depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Land improvements	20
Buildings	50
Other structures.....	25
Infrastructure.....	10-65
Machinery and equipment	5-20
Vehicles	8

H. Compensated Absences

Employees are granted sick and vacation leave in varying amounts. Upon retirement, termination or death, eligible employees are compensated for unused sick and vacation leave (subject to certain limitations) at specified payment rates established by contract, regulation or policy.

Accumulated vacation and sick time is recognized as a liability of the City.

I. Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of any significant applicable bond premium or discount. Significant bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

J. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

K. Restatements

Net assets of the (governmental and business-type activities) and net assets of the Waterbury Parking Authority component unit have been restated to account for the increase in net capital assets resulting from the valuation and reporting of infrastructure assets and other changes in capital asset values resulting from the complete revaluation of the estimated historical cost of all capital assets in preparation for conversion onto an automated fixed asset management data system. The July 1, 2002 governmental, business-type, and Waterbury Parking Authority component unit net capital assets increased by \$77,558 (including addition of infrastructure), \$6,765, and \$669, respectively, as a result of the restatement.

The City - governmental activities net assets have been restated to included \$32 of net assets derived from presentation of the Waterbury Development Agency as a blended component unit; previously classified as a discretely presented component unit. The blended component unit is presented as a nonmajor governmental fund. Land and other property held for resale and accounts payable representing amounts due back to funding agencies, as previously reported, have been excluded from the basic financial statements until an assessment is made on the realizable market value of the assets held for resale and a determination of amounts classified as due back to funding agencies.

2. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of Certain Differences Between the Governmental Fund Balance Sheet and the Government-Wide Statement of Net Assets

The governmental fund balance sheet includes a reconciliation between fund balance - total governmental funds and net assets governmental activities as reported in the government-wide statement of net assets. One element of that reconciliation explains that "long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds." The details of this \$283,385 difference are as follows:

Bonds payable.....	\$151,841
Accrued interest payable	2,147
Capital leases payable.....	2,537
Landfill postclosure liability	865
Compensated absences	32,709
Net pension obligation.....	85,085
Early retirement and other employee liabilities.....	6,721
Unamortized bond premiums.....	<u>1,480</u>
Net adjustment to reduce fund balance - total governmental funds to arrive at net assets - governmental activities	<u>\$283,385</u>

B. Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-Wide Statement of Activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances - total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that "Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense." The details of this \$(2,668) difference are as follows:

Capital outlay.....	\$ 5,504
Depreciation expense.....	<u>(8,172)</u>
Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities.....	<u>\$(2,668)</u>

Another element of that reconciliation states that “the issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.” The details of this \$10,241 difference are as follows:

Amortization of:	
Bond issuance costs	\$ (58)
Bond premiums.....	78
Principal repayments:	
General obligation debt	9,322
Capital leases	<u>899</u>
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities.....	<u>\$10,241</u>

Another element of that reconciliation states that “some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.” The details of this \$3,359 difference are as follows:

Compensated absences	\$ (740)
Pension obligation	2,611
Accrued interest.....	279
Landfill closure.....	34
Termination and other employee benefits	<u>1,175</u>
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities.....	<u>\$3,359</u>

3. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

A budget for the General Fund is authorized annually by the Board of Aldermen. The procedures for establishing the budgetary data reflected in the general purpose financial statements are as follows:

- The Mayor submits to the Board of Finance a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
- The Board of Finance holds public hearings and adjusts the proposed budget to incorporate taxpayer comments, as considered necessary. The adjusted budget is submitted to the Board of Aldermen.
- The budget is legally enacted, subject to WFPAB approval, through a Board of Aldermen resolution.

- At any time after February 1 in any fiscal year, upon recommendation of the Mayor after notification to the department to which an appropriation shall have been made and with the consent of the Board of Finance, the Board of Aldermen may require the Finance Director to transfer any unexpended balance of any part thereof of any specific item of the appropriation as made for that year, to such other department or for such other purposes as the Board of Aldermen may designate.

Budgetary data for Special Revenue Funds are established by the respective program directors and are subject to a similar approval process. It is not practicable for the City to report budgetary information for Special Revenue Funds on a combined basis.

The budgets are administered on a modified accrual basis of accounting except for encumbrances. The control level on which expenditures may not legally exceed appropriations is the fund level.

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be reappropriated and honored during the subsequent year.

B. Deficit Fund Equity

The following funds had deficit net asset balances as of June 30, 2003:

Internal Service Funds:	
General Liability.....	\$1,253
Workers' Compensation.....	\$5,838
Heart and Hypertension.....	\$2,518

The above deficit balances will be systematically funded based on annual actuarial valuations.

4. CASH, CASH EQUIVALENTS AND INVESTMENTS

The deposit of public funds is controlled by the Connecticut General Statutes (Section 7-402). Deposits may be made in a "qualified public depository" as defined by Statute, or, in amounts not exceeding the Federal Deposit Insurance Corporation insurance limit in an "out of state bank", as defined by the Statutes, which is not a "qualified public depository".

The Connecticut General Statutes (Section 7-400) permit municipalities to invest in: (1) obligations of the United States and its agencies; (2) highly rated obligations of any state of the United States or of any political subdivision, authority or agency thereof; and (3) shares or other interests in custodial arrangements or pools maintaining constant net asset values and in highly rated no-load open end money market and mutual funds (with constant or fluctuating net asset values) whose portfolios are limited to obligations of the United States and its agencies, and repurchase agreements fully collateralized by such obligations. Other provisions of the Statutes cover specific municipal funds with particular investment authority. The provisions of the Statutes regarding the investment of municipal pension funds does not specify permitted investments. Therefore, investment of such funds is generally controlled by the laws applicable to fiduciaries and the provisions of the applicable plan.

The Statutes (Sections 3-24f and 3-27f) also provide for investment in shares of the Connecticut Short Term Investment Fund (STIF) and the Tax Exempt Proceeds Fund (TEPF). These investment pools are under the control of the State Treasurer, with oversight provided by the Treasurer's Cash Management Advisory Board, and are regulated under the State Statutes and subject to annual audit by the Auditors of Public Accounts. Investment yields are accounted for on an amortized-cost basis with an investment portfolio that

is designed to attain a market-average rate of return throughout budgetary and economic cycles. Investors accrue interest daily based on actual earnings, less expenses and transfers to the designated surplus reserve, and the fair value of the position in the pool is the same as the value of the pool shares.

A. Cash and Cash Equivalents

The following is a summary of cash and cash equivalents at June 30, 2003:

Deposits:	
Demand Accounts	\$ 41,452
Money Market Accounts	334
Certificates of Deposit and savings	<u>235</u>
Total deposits	42,021
Petty cash	2
Other cash equivalents*:	
State Short-Term Investment Fund (STIF)	76,773**
State Tax Exempt Proceeds Fund	9,136**
Money Market Investment Account	<u>6,208**</u>
TOTAL CASH AND CASH EQUIVALENTS	<u>\$134,140</u>

* Short-term, highly liquid investments that are both readily convertible to known amounts of cash and purchased within 90 days of maturity.

** Risk Category (defined below) cannot be determined since the City does not own identifiable securities but invests as a shareholder of the investment pool.

The following is a summary of component units' cash and cash equivalents at June 30, 2003:

	Waterbury Parking Authority
Deposits:	
Demand Accounts	<u>\$440</u>

B. Deposits

At June 30, 2003 the carrying amount of the City deposits was \$42,021 and the bank balance was \$51,376. Of the bank balance, \$889 was covered by Federal Depository Insurance. Section 36a-333 of the Connecticut General Statutes requires that each depository maintain segregated collateral in an amount equal to a defined percentage of its public deposits based upon the bank's risk based capital ratio. A minimum of \$5,129 based on June 30, 2003 deposits was collateralized at Risk Category 3. Risk Category 3 is defined as collateral held by the pledging financial institution, or by its trust department or agent, but not in the City's name. The balance of deposits of \$45,358 were uninsured and uncollateralized.

At June 30, 2003 the carrying amount of component units' deposits was \$440 and the bank balance was \$441. Of the bank balance, \$100 was covered by Federal Depository Insurance. Section 36a-333 of the Connecticut General Statutes requires that each depository maintain segregated collateral in an amount equal to a defined percentage of its public deposits based upon the bank's risk based capital ratio. A minimum of \$44 based on June 30, 2003 deposits was collateralized at Risk Category 3. Risk Category 3 is defined as collateral held by the pledging financial institution, or by its trust department or agent, but not in the City's name. The balance of deposits of \$297 were uninsured and uncollateralized.

C. Investments

The City's investments are categorized below to give an indication of the level of risk assumed by the entity at year end. Category 1 includes investments that are insured or registered or for which the securities are held by the City or its agent in the City's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the City's name. Category 3 includes uninsured and unregistered investments for which securities are held by the counterparty, or by its trust department or agent but not in the City's name.

	.....Category.....			Carrying
	<u>1</u>	<u>2</u>	<u>3</u>	<u>Amount</u>
Categorized:				
Common stocks.....		\$1,001		\$1,001
Corporate bonds.....		4,247		4,247
U.S. Government Securities.....		1,114		1,114
Total categorized	<u>\$-0-</u>	<u>\$6,362</u>	<u>\$-0-</u>	6,362
Non-categorized*:				
Nonmajor Governmental Funds:				
Mutual Funds				166
Pension Trust Fund:				
Mutual Funds				<u>9,363</u>
TOTAL.....				<u>\$15,891</u>

* Categorization is not applicable since the City does not own identifiable securities, but invests as a shareholder of the investment pool.

Due to higher cash flows at certain times during the year, the City's cash and cash equivalents in Category 3 investment were substantially higher than at year end.

5. RECEIVABLES

Receivables as of year end for the City's individual major funds and nonmajor, internal service, and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	<u>General</u>	<u>Debt Service</u>	<u>Bureau of Water</u>	<u>Waste Treatment</u>	<u>Nonmajor and Other Funds</u>	<u>Total</u>
Receivables:						
Taxes.....	\$27,393					\$ 27,393
Accrued interest on taxes.	9,129					9,129
Service fees.....			\$10,796	\$16,122		26,918
Accrued interest on service fees.....			4,127	2,661		6,788
Intergovernmental.....	840			1,074	\$11,363	13,277
Accounts	1,322	\$48			527	1,897
Loans and accrued interest on loans.....					5,626	5,626
Other					16	16
Gross receivables.....	38,684	48	14,923	19,857	17,532	91,044
Less:						
Allowance for uncollectibles:						
Taxes.....	(4,791)					(4,791)
Accrued interest on taxes	(2,830)					(2,830)
Service fees and accrued interest.....			(3,598)	(7,483)		(11,081)
Loans and accrued interest.....					(455)	(455)
Accounts	(822)				(149)	(971)
Total allowance.....	(8,443)		(3,598)	(7,483)	(604)	(20,128)
Net total receivables	\$30,241	\$48	\$11,325	\$12,374	\$16,928	\$ 70,916

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of deferred revenue and unearned revenue reported in the governmental funds were as follows:

	<u>Unavailable</u>	<u>Unearned</u>	<u>Total</u>
General Fund:			
Delinquent property taxes	\$20,529		\$20,529
Accrued interest on delinquent property taxes	6,299		6,299
School building construction grant receivables	435		435
Other accounts receivable	201		201
Advance tax collections.....		\$ 805	805
Component unit - noncurrent interfund receivable ..	2,689		2,689
Nonmajor funds and other funds:			
Grant drawdowns prior to meeting all eligibility requirements		2,065	2,065
Housing loans and accrued interest.....	1,095		1,095
Unamortized deferred housing loans.....	3,571		3,571
Development loans and accrued interest.....	500		500
Advance program fees.....		336	336
Other accounts receivable	99		99
Total deferred/unearned revenue for governmental funds	<u>\$35,418</u>	<u>\$3,206</u>	<u>\$38,624</u>

6. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2003 was as follows:

Primary Government

	<u>Beginning Balance*</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 12,101			\$ 12,101
Capital assets, being depreciated:				
Land improvements	7,013			7,013
Buildings and improvements	140,647	\$ 3,552		144,199
Infrastructure	124,254			124,254
Machinery and equipment	20,303	88		20,391
Vehicles	8,733	1,864		10,597
Total capital assets being depreciated	<u>300,950</u>	<u>5,504</u>		<u>306,454</u>

	<u>Beginning Balance*</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities (continued):				
Less accumulated depreciation for:				
Land improvements	\$ (4,979)	\$ (184)		\$ (5,163)
Buildings and improvements	(46,431)	(2,788)		(49,219)
Infrastructure	(71,944)	(2,536)		(74,480)
Machinery and equipment	(9,132)	(1,969)		(11,101)
Vehicles	(7,493)	(695)		(8,188)
Total accumulated depreciation.....	(139,979)	(8,172)		(148,151)
Total capital assets, being depreciated, net	160,971	(2,668)		158,303
Governmental activities capital assets, net	<u>\$173,072</u>	<u>\$ (2,668)</u>	<u>\$ -0-</u>	<u>\$ 170,404</u>

* Restated to include original cost estimates for infrastructure and record the net change in recorded asset values resulting from finalization of historical estimated costs to facilitate completion of the automated data file to be used for capital asset management control. The net effect of the restatement was an increase of \$77,558 in net capital assets.

	<u>Beginning Balance*</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 1,808			\$ 1,808
Construction in progress.....	864	\$ 2,042		2,906
Total capital assets, not being depreciated	2,672	2,042		4,714
Capital assets, being depreciated:				
Land improvements	369			369
Utility plant.....	125,844			125,844
Infrastructure	95,996			95,996
Machinery and equipment	34,186	512		34,698
Vehicles	1,183	70		1,253
Total capital assets being depreciated	257,578	582		258,160
Less accumulated depreciation for:				
Land improvements	(290)	(18)		(308)
Utility plant.....	(15,041)	(2,517)		(17,558)
Infrastructure	(28,729)	(1,003)		(29,732)
Machinery and equipment	(8,328)	(1,806)		(10,134)
Vehicles	(805)	(142)		(947)
Total accumulated depreciation.....	(53,193)	(5,486)		(58,679)
Total capital assets, being depreciated, net	204,385	(4,904)		199,481
Business-type activities capital assets, net	<u>\$207,057</u>	<u>\$ (2,862)</u>	<u>\$ -0-</u>	<u>\$204,195</u>

- * Restated to include original cost estimates for sewer lines and record the net change in recorded asset values resulting from the revaluation of all assets at historical estimated cost to facilitate conversion to an automated data file for capital asset management control. The net effect of the restatement was an increase of \$6,765 in net capital assets.

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:

General government	\$ 44
Public works	3,160
Public safety	1,713
Public health	5
Education	2,900
Parks and recreation	308
Library	<u>42</u>
Total depreciation expense – governmental activities	<u>\$8,172</u>

Business-type activities:

Water	1,612
Sewer	<u>3,874</u>
Total depreciation expense - business-type activities	<u>\$5,486</u>

Discretely presented component units

Activity for the Waterbury Parking Authority for the year ended June 30, 2003, was as follows:

	<u>Beginning Balance*</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:				
Land	\$ 1,509			\$ 1,509
Capital assets, being depreciated:				
Land improvements	390			390
Buildings and improvements	10,200			10,200
Machinery and equipment	76			76
Vehicles	<u>35</u>			<u>35</u>
Total capital assets being depreciated	<u>10,701</u>			<u>10,701</u>

	<u>Beginning Balance*</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Less accumulated depreciation for:				
Land improvements	\$ (283)	\$ (19)		\$ (302)
Buildings and improvements	(3,447)	(204)		(3,651)
Machinery and equipment	(56)	(5)		(61)
Vehicles	(24)	(3)		(27)
Total accumulated depreciation	(3,810)	(231)		(4,041)
Total capital assets, being depreciated, net	6,891	(231)		6,660
Authority capital assets, net	<u>\$ 8,400</u>	<u>\$ (231)</u>	<u>\$ -0-</u>	<u>\$ 8,169</u>

* Restated to exclude assets under \$5,000 (not rounded) and record the net change in recorded asset values resulting from revaluation of all assets at historical estimated cost to facilitate conversion to an automated data file to be used for capital asset management control. The net effect of the restatement was an increase of \$669 in net capital assets.

7. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

A summary of interfund balances as of June 30, 2003 is presented below:

Primary Government and Component Units

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
City – General	Component Unit – Waterbury Parking Authority.....	<u>\$2,813</u>

Interfund transfers:

A summary of interfund transfers is presented below:

	<u>.....Transfer In.....</u>		
	<u>General</u>	<u>Debt Service</u>	<u>Nonmajor Governmental</u>
Transfers out:			<u>Total</u>
General Fund.....		\$15,256	\$8,946
Bureau of Water Enterprise Fund ..	\$2,568		2,568
Waste Treatment Enterprise Fund .	2,300		2,300
Nonmajor Governmental.....	30		30
Total.....	<u>\$4,898</u>	<u>\$15,256</u>	<u>\$8,946</u>
Transfer of bonds payable:			
To Waste Treatment from existing governmental debt			<u>3,008</u>
Total transfers in			<u>\$32,108</u>

Transfers from the General Fund to the Debt Service and Nonmajor Governmental Funds are in accordance with budgetary appropriations authorizing the transfer of funds for designated purposes. The Water and Sewer Enterprise funds transfer budgeted amounts for indirect service costs, benefit reimbursements, and payments in-lieu of taxes to the General Fund.

In the fund financial statements, total transfers in of \$29,100 are less than total transfers out of \$32,108 because of the treatment of current year transfers of unexpended bond proceeds and related bonds payable to the Enterprise Fund. During the year, existing unexpended bond proceeds of \$2,826 related to the capital authorization for the Platt's Mill pump station were transferred to the Waste Treatment Enterprise Fund. Related bonds payable debt of \$3,008 were transferred to the Waste Treatment Enterprise Fund. The transfer of bonds payable debt is not reported in the governmental funds as the amount did not involve the transfer of financial resources. However, the Enterprise Fund did report a net transfer out of \$182 for the net change in capital resources.

8. DEFERRED CREDITS – WASTE TREATMENT ENTERPRISE FUND

The State of Connecticut Department of Environmental Protection has provided Clean Water Financing in the form of serial notes for the City's sewage treatment plant. Pursuant to certain inter-municipal agreements, a portion of the plant financing agreement will be paid for by other municipalities in exchange for guaranteed capacity for those towns. The serial notes are not reflected on the City's balance sheet since the obligations are directly financed by the participating municipalities. Deferred credits are reflected as of June 30, 2003 amounting to \$9.6 million and will be amortized and recorded as revenue as the contributing municipalities make payments to the State of Connecticut.

<u>Fiscal Year</u> <u>Ending June 30,</u>	<u>Deferred Credit</u> <u>Amortization</u>
2004	\$ 541
2005	543
2006	546
2007	548
2008	551
2009-20	<u>6,846</u>
 TOTAL	 <u>\$9,575</u>

9. LONG-TERM DEBT

Governmental Activities

Changes in Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2003, was as follows:

	<u>Beginning Balance</u>	<u>Bonds Transfer</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Bond and serial notes payable..	\$161,163	\$(3,008)	\$12,239	\$18,553	\$151,841	\$11,281
Capital leases	3,436			899	2,537	590
Accrued compensated absences	31,969		740		32,709	6,835
Retired employee obligations...	7,678		1,764	2,939	6,503	2,775
Union contract settlements	218				218	218
Net pension obligation	87,696			2,611	85,085	
Landfill post-closure	899			34	865	36
Risk management	31,579		58,452	54,001	36,030	11,607
Government activity long-term liabilities	<u>\$324,638</u>	<u>\$(3,008)</u>	<u>\$73,195</u>	<u>\$79,037</u>	<u>\$315,788</u>	<u>\$33,342</u>

A schedule of governmental activities bonds and serial notes outstanding at June 30, 2003 is presented below:

<u>Description</u>	<u>Date of Issue</u>	<u>Interest Rate (%)</u>	<u>Amount of Original Issue</u>	<u>Balance Outstanding June 30, 2003</u>
General purpose bonds payable:				
General Improvement	02/01/97	4.375-5.5%	\$26,305	\$ 12,140
General Improvement	11/15/98	4.75	\$18,004	15,936
General Improvement	02/01/00	6.0-6.5	\$7,205	6,478
Special Capital Reserve Funds	04/01/02	4.0-5.5	\$82,075	82,075
Special Capital Reserve Funds	04/01/02	4.0-5.5	\$15,390	15,390
Refunding Bond.....	05/01/03	2.5-5.0	\$7,749	7,749
State of Connecticut serial note payable:				
Grandview Ave Bridge	03/22/96	6.00	\$654	196
Washington Ave Bridge	07/01/98	6.00	\$462	232
Total general purpose.....				<u>140,196</u>

<u>Description</u>	<u>Date of Issue</u>	<u>Interest Rate (%)</u>	<u>Amount of Original Issue</u>	<u>Balance Outstanding June 30, 2003</u>
School bonds payable:				
Schools.....	11/15/98	4.25-5.25	\$3,795	\$ 3,360
Schools.....	02/01/00	6.0-6.5	\$3,795	3,795
Refunding Bond.....	05/01/03	2.5-5.0	\$3,950	<u>3,950</u>
Total school obligations.....				<u>11,105</u>
Urban renewal bonds payable:				
Refunding Bond.....	05/01/03	2.5-5.0	\$540	<u>540</u>
TOTAL				<u>\$151,841</u>

A schedule of governmental activities bonds outstanding at June 30, 2003 is presented below:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2004.....	\$ 11,281	\$ 7,476	\$ 18,757
2005.....	11,978	7,073	19,051
2006.....	12,289	6,524	18,813
2007.....	12,553	5,916	18,469
2008.....	9,500	5,370	14,870
2009-2013	34,682	20,997	55,679
2014-2018	37,293	11,647	48,940
2019-2022	22,265	2,746	25,011
TOTAL	<u>\$151,841</u>	<u>\$67,749</u>	<u>\$219,590</u>

Capital Leases

The City has entered into various multi-year capital lease agreements as lessee for financing the acquisition of equipment and other fixed assets.

The following is a schedule of future minimum lease payments under capital leases, together with the net present value of the minimum lease payments as of June 30, 2003.

Year Ending June 30,

2004.....	\$ 701
2005.....	486
2006.....	486
2007.....	485
2008.....	485
2009.....	<u>243</u>
Minimum Lease Payments	2,886
Less: Amount representing interest at the City's incremental borrowing rate of interest.....	<u>(349)</u>
Present Value of Minimum Lease Payments	<u>\$2,537</u>

Compensated Absences

Employees can accumulate unused vacation and sick leave (as determined by individual union contracts) until termination of their employment. At termination, pay-out provisions as determined by individual union contract provides for payments to vested employees net of provisions to exchange selected amounts of accumulated sick time for pension service years.

The following is a summary of management's estimate of vested and non-vested potential liability for lump sum payments to employees.

June 30, 2003

City:	
Vested:	
Sick	\$ 1,192
Vacation.....	2,242
Non-vested:	
Sick	4,828*
Board of Education:	
Vested:	
Sick	20,131
Vacation.....	339
Non-vested:	
Sick	<u>3,977*</u>
TOTAL.....	<u>\$32,709</u>

*Based on estimated percentage of total non-vested obligation that potentially will vest in future years.

Retired Employee Obligations

City

City obligations to retired employees of \$136 consists of amounts due retired employees for unused compensated absences for which payments are withheld until the employee qualifies for payment of pension benefits.

Board of Education

Board of Education obligations to retired employees of \$6,367, which consists of \$3,157 due retired employees for unused compensated absences and \$3,210 due retirees that retired from the school system as part of an early retirement incentive package. The payments are amortized over various years as follows:

<u>Fiscal Year</u> <u>Ending June 30,</u>	<u>Amount</u>
2004	\$2,769
2005	2,280
2006	591
2007	359
2008	359
2009-2013	7
2014-2015	2
TOTAL	<u>\$6,367</u>

Union Contract Settlements

In accordance with terms of the Fire union contract settlement, in-lieu of two years of retroactive pay, an initial bonus was paid in December 2001 and the second payment due July 2002 for \$221 has been accrued against the 2002 budget. The third and final payment totaling \$218 due in accordance with the contract settlement in July 2003 is recorded as a long-term liability.

Net Pension Obligation

Refer to Note 13D

Landfill Post Closure Care Costs

The City received a consent order from the State of Connecticut Department of Environmental Protection requiring as of October 9, 1994 that its landfill no longer accept any solid waste and that by October 31, 1996 the facility be capped. The City has closed and capped the landfill and is in the third year of a thirty (30) required post closure monitoring period. Governmental Accounting Standard Board ("GASB") Statement No. 18, Accounting for Municipal Solid Waste Landfill Closure and Postclosure Care Costs, requires a liability related to closure and postclosure care to be estimated and recorded based on landfill capacity used to date. The City has estimated \$865 for the postclosure monitoring liability as of June 30, 2003 and reported it in the general long-term debt account group. However, due to changes in technology, laws or regulations these costs may change in the future.

Refunding of Bonds

On May 1, 2003, the City issued \$13.330 million in general obligation bonds with interest rates of 2.5 to 5.0 percent to advance refund \$13.520 million of outstanding bonds with interest rates of 3.6 to 5.4 percent. The net proceeds of \$13.906 million (after payment of \$308 thousand in underwriters fees, and other issuance costs) plus \$884 thousand in original issue premium, were used to purchase U.S government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide selected debt service payments on the following bonds:

<u>Issue</u>	<u>Interest Rate(%)</u>	<u>Original Issue</u>	<u>Refunded Amount</u>
August 12, 1993	3.6-5.4	\$31,009	\$13,520

As a result, the above portion of the bonds refunded are considered defeased and the liability for those bonds have been removed as recorded long-term debt of the City.

The City advance refunded the bonds to reduce interest costs over the life of the bonds. The refunding reduced total debt service payments by \$655 thousand representing an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$572 thousand.

Business Type Activities

Changes in Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2003, was as follows:

	<u>Beginning Balance</u>	<u>Bonds Transfer</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Bond and serial notes payable.....	\$75,392	\$ 3,008	\$11,985	\$ 5,804	\$84,581	\$5,252
CWF Interim funding obligation.	12,769		1,866	11,547	3,088	
Capital leases.....	7,175			324	6,851	316
Accrued compensated absences ..	305		241		546	
Business-type activity long-term liabilities	<u>\$95,641</u>	<u>\$3,008</u>	<u>\$14,092</u>	<u>\$17,675</u>	<u>\$95,066</u>	<u>\$5,568</u>

A schedule of business-type activities bonds and serial notes outstanding at June 30, 2003 is presented below:

<u>Description</u>	<u>Date of Issue</u>	<u>Amount of Interest Rate (%)</u>	<u>Balance Original Issue</u>	<u>Outstanding June 30, 2003</u>
Business Type Activities:				
Bureau of Water:				
Bonds payable:				
Water Filtration.....	03/01/87	5.70	\$18,000	\$ 2,000
Waste Treatment:				
Bonds payable:				
Platts Mill	11/15/98	4.25-5.25	\$1,326	1,173
Platts Mill	02/01/00	6.0-6.5	\$1,300	1,222
Refunding Bond	05/01/03	2.5-5.0	\$438	438
Serial notes payable - State of Connecticut:				
Clean Water Act.....	08/30/95	2.00	\$4,008	2,237
Clean Water Act.....	07/31/97	2.00	\$6,448	4,461
Clean Water Act.....	01/00/00	2.00	\$69,647	62,160
Clean Water Act.....	10/30/02	2.00	\$11,547	<u>10,890</u>
TOTAL				<u>\$84,581</u>

A schedule of business-type activities bonds and serial notes outstanding at June 30, 2003 is presented below:

<u>Ending June 30,</u>	<u>Fiscal Year Principal</u>	<u>Interest</u>	<u>Total</u>
2004	\$ 5,252	\$ 1,817	\$ 7,069
2005	5,352	1,676	7,028
2006	4,441	1,526	5,967
2007	4,532	1,431	5,963
2008	4,626	1,333	5,959
2009-2013	24,052	5,164	29,216
2014-2018	25,094	2,540	27,634
2019-2022	<u>11,232</u>	<u>298</u>	<u>11,530</u>
TOTAL	<u>\$84,581</u>	<u>\$15,785</u>	<u>\$100,366</u>

The City is currently participating in capital projects under the State of Connecticut Clean Water Fund established in accordance with Section 22a-477 of the General Statutes of Connecticut. The Clean Water Fund is administered by the State Department of Environmental Protection and provides grant and loan funds to municipalities for "eligible water quality project costs". The following is the City's liability under the two-percent (2%) interim loan portion of the project.

<u>State Project</u>	<u>Amount</u>
201-D	\$1,133
351-C.....	<u>1,955</u>
TOTAL	<u>\$3,088</u>

The notes are reflected in the Waste Treatment Fund as a liability at June 30, 2003 pending completion of the projects.

Capital Leases

The City has entered into a capital lease agreement for assets of the Waste Treatment Enterprise Fund.

The following is a schedule of a future minimum lease payments under capital leases, together with the net present value of the minimum lease payments as of June 30, 2003.

Year Ending June 30,

2004	\$ 707
2005	707
2006	707
2007	707
2008	707
2009-2013	3,535
2014-2017	<u>2,828</u>
Minimum Lease Payments	9,898
Less: Amount representing interest at the City's incremental borrowing rate of interest	<u>(3,047)</u>
Present Value of Minimum Lease Payments.....	<u>\$ 6,851</u>

Discretely Presented Component Unit

Waterbury Parking Authority

The following is a summary of changes in long-term obligations reported in the City of Waterbury Parking Authority for the year ended June 30, 2003:

	<u>Balance</u> <u>July 1, 2002</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2003</u>
Bonds payable.....	\$772	\$653	\$772	\$653
Compensated absences	33			33
TOTAL	<u>\$805</u>	<u>\$653</u>	<u>\$772</u>	<u>\$686</u>

A schedule of bonds outstanding at June 30, 2003 is presented below:

<u>Description</u>	<u>Date of</u> <u>Issue</u>	<u>Amount of</u> <u>Interest</u> <u>Rate (%)</u>	<u>Amount of</u> <u>Original</u> <u>Issue</u>	<u>Outstanding</u> <u>June 30, 2003</u>
Component Unit - Waterbury Parking Authority: Refunding Bond	05/01/03	2.5-5.0%	\$653	<u>\$653</u>

A schedule of bond maturities at June 30, 2003 is presented below:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2004.....	\$103	\$ 21	\$124
2005.....	129	26	155
2006.....	134	21	155
2007.....	140	14	154
2008.....	147	7	154
TOTAL.....	<u>\$653</u>	<u>\$89</u>	<u>\$742</u>

Debt Limitations

The City's indebtedness does not exceed the legal debt limitations as required by the Connecticut General Statutes as reflected in the following schedule:

<u>Category</u>	<u>Debt Limit</u>	<u>Indebtedness</u>	<u>Balance</u>
General purpose.....	\$402,377	\$140,196	\$262,181
Schools	\$804,753	\$10,772	\$793,981
Sewers.....	\$670,628	\$125,169	\$545,459
Urban renewal	\$581,211	\$540	\$580,671
Pension deficit	\$536,502		\$536,502

The total of the City's net statutory indebtedness of \$276,677 does not exceed the legal debt limitation of \$1.3 billion (seven times the base for debt limitation computation).

The indebtedness excludes Water bonds of \$2.0 million.

Bond authorizations for Clean Water Fund projects will be partially funded by grants received from the State of Connecticut. Grants commitments of \$40.6 million are reflected in the computation of net indebtedness.

School building grants receivable for bond principal of \$334 thousand and progress payment reimbursements for eligible construction costs during certain construction phases of the school construction projects of \$14.5 million are reflected in the computation of net indebtedness.

10. RISK MANAGEMENT

The City is self-insured in most areas of risk. Self-insured risks include general liability, collision for City vehicle, workers' compensation, unemployment and employee health claims. The City's Legal Counsel defends the City in any lawsuits that arise from the normal course of operations.

The City has an Anthem Blue Cross/Blue Shield medical plan for which payments are based upon actual claims (versus premium payments). In this case, Anthem Blue Cross/Blue Shield acts as a claims processor and a transfer of risk does not occur.

All funds of the City participate in the program and make payments to the Self-Insurance Internal Service Fund to pay claims, claim reserves and administrative costs of the program. During the fiscal year ended June 30, 2003, \$43.4 million in health care benefits and administrative costs were paid. Incurred but not reported health claims of \$4.0 million have been accrued as a liability based upon information supplied by the City's Health Care Administrator. Actuarial estimated liability for claims incurred but not reported is not available.

An actuarial study estimates the present value of general liability outstanding losses including case reserves for known claims and incurred but not reported claims at \$4.5 million as of June 30, 2003.

An actuarial study estimates the present value of workers' compensation claims liabilities, including cash reserved for known claims and incurred but not reported claims, at \$16.7 million as of June 30, 2003.

The present value of future costs to current eligible recipients subject to Heart and Hypertension benefits is estimated at \$10.9 million as of June 30, 2003. The actuarial estimate does not include potential losses for 400 current employees that may become eligible.

Changes in the reserve amounts in fiscal year 2003 were as follows:

Beginning of year.....	\$ 31,579
Fiscal year claims incurred and changes in prior years' estimates	58,452
Fiscal year claims payments	<u>(54,001)</u>
End of year	<u>\$ 36,030</u>

11. FUND EQUITY

The following is a description of various reserve accounts used to indicate that a portion of equity is legally segregated for a specific purpose and is unavailable for appropriation:

A. Fund Balance

Reserved for Encumbrances and Commitments - represents outstanding purchase orders at year end on contracts.

Reserved Debt Service - represents funds reserved for the payment of principal, purchase of, payment of interest, or redemption of premium on outstanding bonds and serial notes.

Reserved for Trusts - represents the amount of funds accumulated in Other Governmental Funds to pay for specific endowment activities.

Reserved for Inventory - the balance of inventory accounts has been reserved to indicate that the portion of fund balance represented is not available for appropriation or expenditure.

Fund balance reserves are as follows:

	Debt Service <u>Fund</u>	Other Governmental <u>Funds</u>
Encumbrances.....		\$2,992
Debt Service	\$12,202	
Trusts		837
Inventory.....		<u>106</u>
TOTAL.....	<u>\$12,202</u>	<u>\$3,935</u>

A. Fund Balance - Designations

General Fund

Management has designated the following amounts of unreserved fund balance representing management intentions on the possible use of fund balance in the future:

Designated for subsequent budget.....	\$3,000
Designated for specific purposes:	
Capital improvement projects.....	2,110
Vehicle replacement	1,000
WFPAB expenses.....	750
Pension contribution.....	<u>2,000</u>
TOTAL	<u>\$8,860</u>

Special Revenue Funds

The fund balance in the Special Projects Fund is designated for various special projects including property revaluation and WFPAB expenses.

Capital Project Funds

Capital Project Funds with fund balances are designated for specific capital project purposes.

12. OTHER POSTEMPLOYMENT BENEFITS

In order to comply with contractual obligations, the City provides certain health care insurance benefits for retired employees. Substantially all the City's pension eligible employees may become eligible for those benefits. The cost of retiree health care benefits is recognized as an expenditure in the General Fund as claims are paid. For fiscal year ended June 30, 2003, those costs were approximately \$14.8 million for approximately 2,150 retirees.

13. EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS

City of Waterbury Retirement System

A. Plan Description

The City of Waterbury is the administrator of the City of Waterbury Retirement System, a single-employer public employee retirement system ("PERS") established and administered by the City to provide pension benefits for its non-teacher employees. The PERS is considered to be part of the City of Waterbury's financial reporting entity and is included in the City's financial reports as a pension trust fund.

Membership as of July 1, 2003 of the PERS consisted of the following:

	<u>Number of Employees</u>
Retirees and Beneficiaries Currently Receiving Benefits.....	2,026
Terminated Employees Not Yet Receiving Benefits	87
Current Active Members.....	<u>1,710</u>
TOTAL	<u><u>3,823</u></u>

Members are required to contribute to the Plan and the City is required to contribute the remaining amounts necessary to finance the coverage for its employees. Benefits and contributions are established by the City and may be amended only by the City Charter and Union negotiation.

The following is a brief summary of the plan provisions:

	<u>Eligibility</u>	<u>Benefit</u>	<u>Vesting</u>	<u>Employee* Contribution</u>
Police Option A	20 Yrs. (15 Years as Police Officer)	2.5%/Yr. Max. 30 Years Maximum Benefit 100% of Base Salary	10 Yrs.	9.5% - Max. 30 Years
Police Option B	20 Yrs. (15 Years as Police Officer) Retire by 7/1/99	2%/Yr. Max. 35 Years Maximum Benefit 100% of Base Salary	10 Yrs.	7% - Max. 35 Years
Fire Option 1	20 Yrs. Retire by 6/30/99	2%/Yr. Max. 35 Years Maximum Benefit 100% of Base Salary	10 Yrs.	7% - Max. 35 Years
Fire Option 2	25 Yrs. Hired on or after 12/20/01 55/25	2.5%/Yr. Up to 12/31/01 2.0%/Yr. Thereafter Maximum Benefits 75% of Base Salary	10 Yrs.	9.5% - Max. 30 Years
Blue Collar	25 Yrs. or 65/15 If hired on or after 12/12/01 55/25	2.5%/Yr., up to 1/1/02 plus 2.0% Yr. Thereafter 75% of Base	10 Yrs.	9.5% (Pre-Tax)
White Collar	25 Yrs. or 65/15 If hired on or after June 1, 2002, 55/25 or 65/15	2%/Yr.	10 Yrs.	7%
Nurses	25 Yrs. If hired on or or after 9/1/02, 55/15, 25 Yrs., or age 65	2%/Yr.	10 Yrs.	7%
WMAA	20 Yrs. or 65/15 If hired on or after 9/1/96, min. age of 55	2.5%/Yr	10 Yrs.	9% (Pre-tax)
Teachers	25 Yrs.	.6%/Yr.	None	1%
SAW	20 Yrs.	1%/Yr.	None	3% (1% member and 2% by Board)
Social Workers (None Active as of 7/1/01)	20 Yrs. or 65/15	2%/Yr.	10 years	7%
Development	20 Yrs. or 65/15	2%/Yr.	10 Yrs.	8%

In addition to the above, payments for medical benefits for retirees are provided from the General Fund.

- * Employee contributions are based on the definition of compensation used for pension benefits, which varies by union.

B. Significant Accounting Policies and System Assets

The Plan follows the accrual basis of accounting. The investments of the PERS are valued at fair value. The value of insurance contracts is determined by the insurance company on each valuation date.

C. Funding Status and Progress

Employees are required to contribute various percentages of their earnings to the PERS (See A above). If an employee leaves employment or dies before meeting the vesting requirements, accumulated employee contributions and interest are refunded. The City is required to contribute the remaining amounts necessary to finance the benefits for its employees as determined by its actuaries; the current rate is 39.9% of annual covered payroll. Benefits and employee contributions are fixed by contract and may be amended subject to union negotiations.

D. Annual Pension Cost and Net Pension Obligation

The City's annual pension cost and net pension obligation to the PERS for the current year were as follows:

Annual Required Contribution	\$30,719
Interest on Net Pension Obligation	7,454
Adjustment to Annual Required Contribution	<u>(4,784)</u>
Annual Pension Cost	33,389
Contributions Made	<u>36,000</u>
Decrease in Net Pension Obligation.....	(2,611)
Net Pension Obligation Beginning of Year	<u>87,696</u>
Net Pension Obligation End of Year	<u><u>\$85,085</u></u>

The following is a summary of certain significant actuarial assumptions and other PERS information:

Actuarial valuation date	July 1, 2003
Actuarial cost method.....	Projected Unit Credit
Amortization method.....	Level Percent
Remaining amortization period	30 years-closed
Asset valuation method	Fair value
Actuarial assumptions:	
Investment rate of return	8.5%
Projected salary increases*	4.5%
Cost-of-living adjustments	n/a
*Inflation rate included.....	4%

E. Trend Information

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation (Asset)
6/30/01	\$30,741	93.1%	\$89,781
6/30/02	\$32,915	106.3%	\$87,696
6/30/03	\$33,389	107.8%	\$85,085

F. Pension Plan Required Supplemental Information**Schedule of Employer Contributions**

Fiscal Year Ended June 30,	Annual Required Contributions	Percentage Contributed
1998	\$27,760 (1)	69%
1999	\$25,479	74%
2000	\$26,625	82%
2001	\$28,474	100%
2002	\$30,719	114%
2003	\$30,719	117%

(1) Includes \$4,717 term cost for retiree health and life insurance.

Schedule of Funding Progress

Actuarial Valuation Date	(1) Actuarial Value of Assets (a)	(2) Actuarial Accrued Liability(AAL) (b)	(3) Unfunded AAL(UAAL) (b-a)	(4) Funded Ratio (a/b)	(5) Covered Payroll (c)	UALL as a % of Covered Payroll ((b-a)/c)
6/30/98	\$29,019	\$389,505	\$360,485	7.5%	\$77,033	468.0%
6/30/00	\$25,961	\$424,510	\$398,549	6.1%	\$70,683	563.9%
6/30/01	\$16,852	\$448,113	\$431,261	3.8%	\$68,723	627.5%
6/30/02	\$19,717	\$451,973	\$432,256	4.4%	\$66,515	649.9%
6/30/03	\$24,826	\$470,813	\$445,987	5.3%	\$68,223	653.7%

State of Connecticut Teachers' Retirement System

Certified teachers employed by the City of Waterbury Board of Education are eligible to participate in the State of Connecticut Teachers' Retirement System. This system is a cost-sharing multi-employer defined benefit PERS with the State acting as a non-employer contributor, which is administered under the provisions of Chapter 167a of the Connecticut General Statutes (CGS). The State of Connecticut Teachers' Retirement System is considered to be a part of the State of Connecticut financial reporting entity and is included in the State's financial reports as a pension trust fund. Those reports may be obtained by writing to the State of Connecticut, Office of the State Comptroller, 55 Elm Street, Hartford, Connecticut 06106.

Full-time certified staff who are employed for an average of at least one-half of a school day are required to participate. A member who completes 10 years of service in Connecticut public schools is eligible for a vested benefit commencing at age 60. Members are required to contribute 7% of their annual salary while the contributions by the State are determined on an actuarial reserve basis described in CGS Sections 10-1831 and 10-183z.

The retirement system for teachers is funded by the State based upon the recommendation of the Teachers' Retirement Board. Such contribution includes amortization of the actuarially computed unfunded liability. The City does not contribute to the Connecticut Teachers' Retirement System nor has any legal obligation for benefits. For the year ended June 30, 2003, the City has recorded in the General Fund, revenues and expenditures in the amount of \$5.4 million as payments made by the State of Connecticut on-behalf of the City.

14. CONTINGENT LIABILITIES

The City is contingently liable in connection with litigation involving personal injury claims, civil rights, contract disputes, property damages, tax appeals, civil liability, environmental contaminations, negligent deaths and other miscellaneous suits and unasserted claims. These claims are estimated to total in excess of \$4.5 million and the City has recorded a provision for these claims in the General Liability Internal Service Fund. The City intends to vigorously defend these actions, however, there can be no assurance that the City will prevail.

In addition to the above, the City has a potential liability for certain alleged environmental regulatory violations and the diversion of water from the Shepaug River. These matters, although collectively have a significant exposure to liability, either by remediation work that would be required, plaintiff legal fee reimbursement, or penalties, there are other defendants that have resources that will be used to reduce the potential exposure. The City is confident that the ultimate exposure relating to these cases will not materially affect the financial position of the City.

CITY OF WATERBURY, CONNECTICUTGENERAL FUND

SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES
 BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
 FOR THE YEAR ENDED JUNE 30, 2003

(thousands)

....BUDGETED AMOUNTS....

	ORIGINAL	FINAL	ACTUAL	OVER (UNDER)
<u>PROPERTY TAXES</u>				
Current property taxes.....	\$161,462	\$161,462	\$166,194	\$ 4,732
Prior year property taxes.....	5,500	5,500	7,127	1,627
Supplemental auto list.....	2,000	2,000	1,999	(1)
Interest and penalties current year.....	700	700	865	165
Interest and penalties prior year.....	950	950	2,286	1,336
Total property taxes.....	170,612	170,612	178,471	7,859
<u>INTERGOVERNMENTAL</u>				
Exemptions for elderly.....	799	799	963	164
Veterans additional exemption.....	450	450	444	(6)
State highway grant.....	692	692	316	(376)
Grant abatement for elderly housing.....	237	237	218	(19)
State bond proceeds.....	85	85	148	63
Manufacturing equipment incentive.....	3,743	3,743	2,696	(1,047)
Pequot - State properties.....	7,585	7,585	5,970	(1,615)
Proceeds off track revenue.....	115	115	136	21
Civil preparedness - matching funds.....	30	30	26	(4)
PILOT - State owned properties.....	2,909	2,909	2,961	52
PILOT - Private tax exempt property.....	6,613	6,612	6,869	257
PILOT - Housing authority.....			557	557
Industrial incentive program.....	352	352	375	23
Education equalization.....	91,338	88,951	89,788	837
Special revenue - federal grants.....			398	398
Special revenue - state grants.....	767	767	105	(662)
Additional education state and federal grants.....	3,725	5,959	5,374	(585)
State reimbursement welfare.....	4	4		(4)
Total intergovernmental.....	119,444	119,290	117,344	(1,946)
<u>INVESTMENT INCOME</u>				
Income from investments.....	1,338	1,338	1,117	(221)

(Continued) - 1.

CITY OF WATERBURY, CONNECTICUT
 GENERAL FUND
 SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES
 BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS), ETC.

(thousands)

....BUDGETED AMOUNTS.....

	ORIGINAL	FINAL	ACTUAL	OVER (UNDER)
<u>CHARGES FOR SERVICES</u>				
City Clerk.....	\$ 6	\$ 6	\$ 14	\$ 8
Town Clerk.....	721	722	1,334	612
North End Disposal Area.....	50	50	89	39
Police Department.....	67	67	100	33
Fire Department.....	1	1	2	1
Department of Inspections.....	876	876	656	(220)
Department of Health.....	168	168	191	23
Recreation programs.....	57		10	10
Outside tuition.....	5	5	614	609
Departmental charges.....			44	44
Total charges for services.....	1,951	1,895	3,054	1,159
<u>REIMBURSEMENTS</u>				
Employee fringe benefit contribution.....	3,200	3,200	4,024	824
Park department revolving fund salaries.....	446	504	433	(71)
Parking Authority - debt service.....	148	149	149	
Parking Authority - fringe benefits.....	118	119	77	(42)
Economic Development - fringe benefits.....	147	147	178	31
Total reimbursements.....	4,059	4,119	4,861	742
<u>OTHER</u>				
Telephone access lines.....	1,078	1,078	1,171	93
Parking violations.....	530	530	692	162
Miscellaneous sources.....	370	520	238	(282)
Total other.....	1,978	2,128	2,101	(27)
Total revenues.....	299,382	299,382	306,948	7,566

CITY OF WATERBURY, CONNECTICUT
 GENERAL FUND
 SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES
 BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS), ETC.

(thousands)

....BUDGETED AMOUNTS....

	ORIGINAL	FINAL	ACTUAL	OVER (UNDER)
<u>OTHER FINANCING SOURCES</u>				
Transfers in:				
Water Fund - service charge	\$ 950	\$ 950	\$ 950	
Water Fund - fringe benefits	1,480	1,480	1,480	
Water Fund - taxes	138	138	138	
Sewer Fund - service charge	450	450	450	
Sewer Fund - fringe benefits	1,850	1,850	1,850	
Multiskill Educational Training Center			30	\$ 30
Total transfers-in	4,868	4,868	4,898	30
TOTAL	<u>\$304,250</u>	<u>\$304,250</u>	311,846	<u>\$ 7,596</u>
Budgetary revenues are different than GAAP revenues because: State of Connecticut "on-behalf" contributions to the Connecticut State Teachers' Retirement System for City teachers are not budgeted.....				
			5,438	
Prior year for certificate of corrections on previously sold tax liens is recorded as a reduction of current year tax revenue for GAAP reporting. This amount is considered payable for financial reporting purposes.....				
			(750)	
Total revenues and other financing sources as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds - Exhibit IV			<u>\$316,534</u>	

CITY OF WATERBURY, CONNECTICUTGENERAL FUND

SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
 BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
 FOR THE YEAR ENDED JUNE 30, 2003

(thousands)

....BUDGETED AMOUNTS.....

	ORIGINAL	FINAL	ACTUAL	(OVER) UNDER
General Government:				
Legal Department.....	\$ 1,353	\$ 1,353	\$ 1,327	\$ 26
Department of Information and Accounting Services.....	1,126	1,026	876	150
Finance Department.....	1,063	978	967	11
Collector of Taxes.....	732	754	711	43
Department of Assessment.....	830	785	723	62
Office of the Mayor.....	408	432	417	15
Registrar of Voters.....	284	285	260	25
City Clerk.....	247	247	229	18
Town Clerk.....	348	353	330	23
Department of Personnel.....	269	306	302	4
Board of Finance.....	164	164	141	23
Department of Audit.....	136	76	60	16
Department of Purchases.....	184	201	195	6
Department of Budget Control.....	105	110	109	1
Board of Alderman.....	56	57	57	
Probate Court.....	29	28	28	
City Sheriff.....	8	10	9	1
City Treasurer.....	5	5	5	
Total general government.....	7,347	7,170	6,746	424
Department of Public Works:				
Public Works.....	66	66	214	(148)
Bureau of Public Works.....	6	6	6	
Department of Streets and Sewers.....	3,826	4,031	3,827	204
Refuse Collection.....	4,813	5,154	5,036	118
Department of Public Buildings.....	1,515	1,791	1,512	279
Central Vehicle Maintenance.....	1,627	1,645	1,581	64
North End Waste Disposal.....	328	350	298	52
Bureau of Engineering.....	659	562	505	57
City Plan Commission.....	167	167	91	76
Total Department of Public Works.....	13,007	13,772	13,070	702

CITY OF WATERBURY, CONNECTICUT
 GENERAL FUND
 SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
 BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS), ETC.

(thousands)

....BUDGETED AMOUNTS....

	ORIGINAL	FINAL	ACTUAL	(OVER) UNDER
Public Safety:				
Fire Board.....	\$ 6	\$ 6	\$ 4	\$ 2
Fire Department.....	19,382	19,132	18,886	246
Police Board.....	6	6	2	4
Police Department.....	22,423	22,213	21,762	451
Police Department - Traffic.....	324	279	264	15
Department of Inspections.....	546	546	534	12
Dog Warden.....	124	127	117	10
Office of Civil Preparedness.....	61	61	46	15
Total Public Safety.....	42,872	42,370	41,615	755
Public Health:				
Department of Health.....	2,860	2,760	2,607	153
Education:				
Department of Education.....	123,500	123,500	122,907	593
Parks and Recreation:				
Department of Parks.....	3,672	3,627	3,240	387
Library:				
Silas Bronson Library.....	1,624	1,624	1,501	123
General Financial:				
Workers Compensation.....	6,000	6,000	6,000	
Heart and Hypertension.....	1,900	1,900	1,900	
Pension.....	36,000	36,000	36,000	
Health Benefits.....	38,800	38,800	38,800	
Legal - General Liability.....	1,300	1,300	1,300	
Insurance - other.....	966	965	965	
FICA.....	2,900	2,900	2,832	68
Other.....	1,236	1,810	1,561	249
Total Benefits.....	89,102	89,675	89,358	317
Other:				
Salary Adjustment.....	1,000	1,040	1,040	
Contingency.....	3,000			
Total Other.....	4,000	1,040	1,040	
Total expenditures	287,984	285,538	282,084	3,454

(Continued) - 2.

CITY OF WATERBURY, CONNECTICUT
 GENERAL FUND
 SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
 BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS), ETC.

(thousands)

....BUDGETED AMOUNTS....

	ORIGINAL	FINAL	ACTUAL	(OVER) UNDER
Other Financing Uses:				
Transfers Out:				
Debt Service Fund.....	\$ 15,266	\$ 15,266	\$ 15,256	\$ 10
Capital Revolving Fund.....	1,000	1,000	1,000	
Miscellaneous Grants and Programs.....		316	316	
Special Projects.....		130	130	
Building Improvements.....		1,500	1,500	
Education Building Improvements.....		4,000	4,000	
Road Infrastructure Improvements.....		2,000	2,000	
Total Other Financing Uses	16,266	24,212	24,202	10
TOTAL.....	<u>\$304,250</u>	<u>\$309,750</u>	306,286	<u>\$3,464</u>
Budgetary expenditures are different than GAAP expenditures because:				
State of Connecticut "on-behalf" payments to the Connecticut State Teachers' Retirement System for				
City teachers are not budgeted.....			5,438	
Total expenditures and other financing sources as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds - Exhibit IV			<u>\$311,724</u>	

General Fund

CITY OF WATERBURY, CONNECTICUTGENERAL FUND

COMPARATIVE BALANCE SHEET

JUNE 30, 2003

(thousands)

	2003	2002
<u>A S S E T S</u>		
Cash and cash equivalents.....	\$27,494	\$19,954
Receivables:		
Property taxes receivable, net.....	22,602	22,209
Property taxes accrued interest receivable, net.....	6,299	4,748
Intergovernmental receivable:		
School building grants receivable.....	435	570
Other grants receivable.....	405	1,692
Accounts receivable.....	500	239
Due from other funds.....		2,324
Due from Waterbury Parking Authority - Component Unit.	2,813	2,689
TOTAL.....	<u>\$60,548</u>	<u>\$54,425</u>
 <u>L I A B I L I T I E S</u> <u>A N D</u> <u>F U N D B A L A N C E</u>		
Liabilities:		
Accounts payable and accrued expenses.....	\$10,730	\$10,925
Due to other funds.....		356
Deferred revenue.....	30,958	29,094
Total liabilities.....	<u>41,688</u>	<u>40,375</u>
Fund balance:		
Reserved for encumbrances.....		750
Unreserved:		
Designated for subsequent budget.....	3,000	
Designated for specific purposes.....	5,860	7,500
Undesignated.....	10,000	5,800
Total fund balance.....	<u>18,860</u>	<u>14,050</u>
TOTAL.....	<u>\$60,548</u>	<u>\$54,425</u>

CITY OF WATERBURY, CONNECTICUT

REPORT OF TAX COLLECTOR
FOR THE YEAR ENDED JUNE 30, 2003

(thousands)

GRAND LIST	COMBINED UNCOLLECTED TAXES JULY 1, 2002	LAWFUL CORRECTIONS NET INCREASE (DECREASE)	REFUNDS AND OTHER ADJUSTMENTS	TRANSFERS TO SUSPENSE	ADJUSTED TAXES COLLECTIBLE	PRINCIPAL TAX COLLECTIONS	INTEREST, LIENS AND WARRANTS	TOTAL COLLECTIONS	COMBINED UNCOLLECTED TAXES JUNE 30, 2003	UNCOLLECTED TAXES NON-CITY OWNED	UNCOLLECTED TAXES CITY OWNED
2001	\$180,856	\$ (3,375)	\$ 1,686	\$ (21)	\$179,146	\$168,809	\$1,075	\$169,884	\$10,337		\$10,337
2000	14,954	(421)	320	(48)	14,805	6,797	1,304	8,101	8,008		8,008
1999	7,027	(174)	108	(71)	6,890	1,901	657	2,558	4,989	\$ 285	4,704
1998	4,125	(119)	26	(39)	3,993	822	342	1,164	3,171		3,171
1997	3,655	(198)	39	(22)	3,474	406	257	663	3,068	2,689	379
1996	3,020	(170)	33	(24)	2,859	377	203	580	2,482	2,271	211
1995	2,497	(155)	(16)	(19)	2,307	67	68	135	2,240	2,024	216
1994	1,872	(129)	(33)	(9)	1,701	47	56	103	1,654	1,594	60
1993	1,567	(116)	(33)	(5)	1,413	46	64	110	1,367	1,287	80
1992	1,134	(2)	(22)	(2)	1,108	46	46	92	1,062	991	71
1991	411	(3)	(13)		395	5	30	35	390	339	51
1990	332	1	(8)		325	4	21	25	321	274	47
1989	144				144	1	13	14	143	106	37
1988	108				108	1	18	19	107	86	21
1987	81	(81)					9	9			
TOTAL	\$221,783	\$ (4,942)	\$2,087	\$ (260)	\$218,668	\$179,329	\$4,163	183,492	\$39,339	\$11,946	\$27,393

Suspense Collections	40
Fees	71
Less:	
NSF check reversals	(421)
Refunds	(1,533)
Bank fees	(196)
Overpayments	(690)
Collections due other agencies	(1,459)
Collection agency fees	(414)
Reserve for adjustments	(104)
Subtotal	178,786
City Owned - Property taxes receivable considered available:	
June 30, 2002	(2,388)
June 30, 2003	2,073
TOTAL	\$178,471

Nonmajor
Governmental Funds

CITY OF WATERBURY, CONNECTICUT

NONMAJOR GOVERNMENTAL FUNDS

COMBINING BALANCE SHEET

JUNE 30, 2003

(thousands)

.....SPECIAL REVENUE.....								
	WORKFORCE CONNECTION	CAPITAL REVOLVING FUNDS	CAFETERIA	SPECIAL EDUCATION GRANTS	COMMUNITY DEVELOPMENT	PARK DEPARTMENT	MULTISKILL EDUCATIONAL TRAINING CENTER	SELF- SUSTAINING SUMMER SCHOOL
<u>A S S E T S</u>								
Cash and cash equivalents.....	\$ 15	\$ 290	\$ 346	\$ 247	\$ 446	\$265		\$97
Investments.....								
Intergovernmental receivables.....	234	1,107	1,191	5,446	194			
Accounts receivable.....								
Loans receivable.....					4,666			
Inventory			106					
TOTAL	<u>\$249</u>	<u>\$1,397</u>	<u>\$1,643</u>	<u>\$5,693</u>	<u>\$5,306</u>	<u>\$265</u>	<u>\$ -0-</u>	<u>\$97</u>
<u>L I A B I L I T I E S</u>								
<u>A N D</u>								
<u>F U N D B A L A N C E</u>								
Liabilities:								
Accounts payable and accrued expenses.....	\$ 50	\$ 511	\$ 168	\$4,881	\$ 284	\$ 20		
Deferred revenue.....				175	4,666			\$31
Total liabilities	<u>50</u>	<u>511</u>	<u>168</u>	<u>5,056</u>	<u>4,950</u>	<u>20</u>		<u>31</u>
Fund balance:								
Reserved.....		1,275	106					
Unreserved:								
Designated.....								
Undesignated.....	199	(389)	1,369	637	356	245		66
Total fund balance	<u>199</u>	<u>886</u>	<u>1,475</u>	<u>637</u>	<u>356</u>	<u>245</u>		<u>66</u>
TOTAL	<u>\$249</u>	<u>\$1,397</u>	<u>\$1,643</u>	<u>\$5,693</u>	<u>\$5,306</u>	<u>\$265</u>	<u>\$ -0-</u>	<u>\$97</u>

(Continued) - 1.

CITY OF WATERBURY, CONNECTICUTNONMAJOR GOVERNMENTAL FUNDS

COMBINING BALANCE SHEET (CONTINUED)

JUNE 30, 2003

(thousands)

	(thousands)							
	.....SPECIAL REVENUE.....							
	ATHLETIC REVOLVING	SPECIAL ASSESSMENTS AND PROJECTS	ADULT EDUCATION	SOCIAL SERVICE PROGRAMS	HEALTH GRANTS	PARK IMPROVEMENTS	POLICE PRIVATE DUTY	DRUG ENFORCEMENT
<u>A S S E T S</u>								
Cash and cash equivalents.....	\$13	\$27	\$ 93	\$216	\$169	\$ 41	\$ (4)	\$4
Investments.....								
Intergovernmental receivables.....			36		287	102		
Accounts receivable.....							182	
Loans receivable.....								
Inventory								
TOTAL	<u>\$13</u>	<u>\$27</u>	<u>\$129</u>	<u>\$216</u>	<u>\$456</u>	<u>\$143</u>	<u>\$178</u>	<u>\$4</u>
<u>L I A B I L I T I E S</u> <u>A N D</u> <u>F U N D B A L A N C E</u>								
Liabilities:								
Accounts payable and accrued expenses.....		\$ 3	\$ 53		\$ 24	\$ 79		\$4
Deferred revenue.....					100		\$99	
Total liabilities		3	53		124	79	99	4
Fund balance:								
Reserved.....								
Unreserved:								
Designated.....								
Undesignated.....	\$13	24	76	\$216	332	64	79	
Total fund balance	13	24	76	216	332	64	79	
TOTAL	<u>\$13</u>	<u>\$27</u>	<u>\$129</u>	<u>\$216</u>	<u>\$456</u>	<u>\$143</u>	<u>\$178</u>	<u>\$4</u>

(Continued) - 2.

CITY OF WATERBURY, CONNECTICUTNONMAJOR GOVERNMENTAL FUNDSCOMBINING BALANCE SHEET (CONTINUED)

JUNE 30, 2003

(thousands)

	.....SPECIAL REVENUE.....							
	MISCELLANEOUS							
	GRANTS							
	AND							
	PROGRAMS							
	SPECIAL		ELISHA	KENT I.	CHRISTOPHER		MARGERY K.	WILLIAM E.
	PROJECTS		LEVENWORTH	FULTON	COLUMBUS	HARRUB	HAYDEN	FULTON
<u>A S S E T S</u>								
Cash and cash equivalents.....	\$1,207	\$940	\$44	\$19	\$4	\$8	\$19	\$88
Investments.....								
Intergovernmental receivables.....		33						
Accounts receivable.....								
Loans receivable.....								
Inventory								
TOTAL	<u>\$1,207</u>	<u>\$973</u>	<u>\$44</u>	<u>\$19</u>	<u>\$4</u>	<u>\$8</u>	<u>\$19</u>	<u>\$88</u>
<u>L I A B I L I T I E S</u>								
<u>A N D</u>								
<u>F U N D B A L A N C E</u>								
Liabilities:								
Accounts payable and accrued								
expenses.....	\$ 260	\$101	\$6					
Deferred revenue.....		126						
Total liabilities	<u>260</u>	<u>227</u>	<u>6</u>					
Fund balance:								
Reserved.....			38	\$19	\$4	\$8	\$19	\$88
Unreserved:								
Designated.....	947							
Undesignated.....		746						
Total fund balance	<u>947</u>	<u>746</u>	<u>38</u>	<u>19</u>	<u>4</u>	<u>8</u>	<u>19</u>	<u>88</u>
TOTAL	<u>\$1,207</u>	<u>\$973</u>	<u>\$44</u>	<u>\$19</u>	<u>\$4</u>	<u>\$8</u>	<u>\$19</u>	<u>\$88</u>

(Continued) - 3.

CITY OF WATERBURY, CONNECTICUTNONMAJOR GOVERNMENTAL FUNDSCOMBINING BALANCE SHEET (CONTINUED)

JUNE 30, 2003

(thousands)

.....SPECIAL REVENUE.....

.....CAPITAL PROJECTS.....

	SILAS BRONSON LIBRARY	LH SOLOMON	WATERBURY DEVELOPMENT AGENCY	TOTAL	PUBLIC IMPROVEMENTS	ROTELLA MAGNET SCHOOL	BUILDING IMPROVEMENT	POLICE VEHICLE REPLACEMENT
<u>A S S E T S</u>								
Cash and cash equivalents.....	\$ 251	\$5	\$138	\$ 4,988	\$4,459	\$1,835	\$3,000	
Investments.....	701			701				
Intergovernmental receivables.....	58			8,688	2,675			
Accounts receivable.....				182				
Loans receivable.....	5		500	5,171				
Inventory				106				
TOTAL	<u>\$1,015</u>	<u>\$5</u>	<u>\$638</u>	<u>\$19,836</u>	<u>\$7,134</u>	<u>\$1,835</u>	<u>\$3,000</u>	<u>\$-0-</u>
<u>L I A B I L I T I E S</u>								
<u>A N D</u>								
<u>F U N D B A L A N C E</u>								
Liabilities:								
Accounts payable and accrued								
expenses.....	\$ 359			\$ 6,803	\$ 280	\$ 205	\$ 44	
Deferred revenue.....			\$534	5,731		1,630		
Total liabilities	<u>359</u>		<u>534</u>	<u>12,534</u>	<u>280</u>	<u>1,835</u>	<u>44</u>	
Fund balance:								
Reserved.....	656	\$5		2,218	1,068	540		
Unreserved:								
Designated.....				947	5,786		2,956	
Undesignated.....			104	4,137		(540)		
Total fund balance	<u>656</u>	<u>5</u>	<u>104</u>	<u>7,302</u>	<u>6,854</u>		<u>2,956</u>	
TOTAL	<u>\$1,015</u>	<u>\$5</u>	<u>\$638</u>	<u>\$19,836</u>	<u>\$7,134</u>	<u>\$1,835</u>	<u>\$3,000</u>	<u>\$-0-</u>

(Continued) - 4.

CITY OF WATERBURY, CONNECTICUTNONMAJOR GOVERNMENTAL FUNDS

COMBINING BALANCE SHEET (CONTINUED)

JUNE 30, 2003

(thousands)

.....CAPITAL PROJECTS.....

	REFUSE VEHICLE REPLACEMENT	VEHICLE REPLACEMENT	EDUCATION BUILDING RENOVATIONS	ROAD INFRASTRUCTURE IMPROVEMENTS	TECHNOLOGY	TOTAL	INTERFUND ELIMINATIONS	TOTAL NONMAJOR GOVERNMENTAL FUNDS
<u>A S S E T S</u>								
Cash and cash equivalents.....		\$2,787	\$4,000	\$2,000	\$4,944	\$23,025		\$28,013
Investments.....								701
Intergovernmental receivables.....						2,675		11,363
Accounts receivable.....								182
Loans receivable.....								5,171
Inventory								106
TOTAL	\$ -0-	\$2,787	\$4,000	\$2,000	\$4,944	\$25,700	\$ -0-	\$45,536
<u>L I A B I L I T I E S</u>								
<u>A N D</u>								
<u>F U N D B A L A N C E</u>								
Liabilities:								
Accounts payable and accrued expenses.....		\$ 457			\$ 53	\$ 1,039		\$ 7,842
Deferred revenue.....						1,630		7,361
Total liabilities		457			53	2,669		15,203
Fund balance:								
Reserved.....					109	1,717		3,935
Unreserved:								
Designated.....		2,330	\$4,000	\$2,000	4,782	21,854		22,801
Undesignated.....						(540)		3,597
Total fund balance		2,330	4,000	2,000	4,891	23,031		30,333
TOTAL	\$ -0-	\$2,787	\$4,000	\$2,000	\$4,944	\$25,700	\$ -0-	\$45,536

CITY OF WATERBURY, CONNECTICUT

NONMAJOR GOVERNMENTAL FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2003

(thousands)

	.....SPECIAL REVENUE.....							
	WORKFORCE CONNECTION	CAPITAL REVOLVING FUNDS	CAFETERIA	SPECIAL EDUCATION GRANTS	COMMUNITY DEVELOPMENT	PARK DEPARTMENT	MULTISKILL EDUCATIONAL TRAINING CENTER	SELF- SUSTAINING SUMMER SCHOOL
Revenues:								
Intergovernmental.....	\$1,371	\$ 515	\$5,028	\$29,220	\$2,848			
Investment income.....								
Charges for services.....		154	826			\$1,379		\$52
Other.....		62			667			
Total revenues.....	1,371	731	5,854	29,220	3,515	1,379		52
Expenditures:								
Current:								
General government.....								
Public works.....		610			483			
Public safety.....					75			
Public health.....								
Public assistance.....	1,381				2,549			
Education.....			5,444	29,452	344			37
Park and recreation.....					22	1,519		
Library.....								
Development.....								
Capital outlay.....		285			7			
Total expenditures.....	1,381	895	5,444	29,452	3,480	1,519		37
Excess (deficiency) of revenues over expenditures.....	(10)	(164)	410	(232)	35	(140)		15
Other financing sources (uses):								
Transfers in.....		1,000						
Transfers out.....							\$ (30)	
Total other financing sources (uses).....		1,000					(30)	
Net change in fund balances.....	(10)	836	410	(232)	35	(140)	(30)	15
Fund balance, July 1, 2002.....	209	50	1,065	869	321	385	30	51
Fund balance, June 30, 2003.....	\$ 199	\$ 886	\$1,475	\$ 637	\$ 356	\$ 245	\$-0-	\$66

(Continued) - 1.

CITY OF WATERBURY, CONNECTICUT

NONMAJOR GOVERNMENTAL FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2003

(thousands)

	.....SPECIAL REVENUE.....							
	ATHLETIC REVOLVING	SPECIAL ASSESSMENTS AND PROJECTS	ADULT EDUCATION	SOCIAL SERVICE PROGRAMS	HEALTH GRANTS	PARK IMPROVEMENTS	POLICE PRIVATE DUTY	DRUG ENFORCEMENT
Revenues:								
Intergovernmental.....			\$1,979	\$ 33	\$1,647	\$331		\$242
Investment income.....								
Charges for services.....	\$116	\$37			13		\$1,491	
Other.....				80				
Total revenues.....	116	37	1,979	113	1,660	331	1,491	242
Expenditures:								
Current:								
General government.....								
Public works.....		36						
Public safety.....							1,458	310
Public health.....					1,657			
Public assistance.....				36				
Education.....	103		2,053					
Park and recreation.....						331		
Library.....								
Development.....								
Capital outlay.....								
Total expenditures.....	103	36	2,053	36	1,657	331	1,458	310
Excess (deficiency) of revenues over expenditures.....	13	1	(74)	77	3		33	(68)
Other financing sources (uses):								
Transfers in.....								
Transfers out.....								
Total other financing sources (uses).....								
Net change in fund balances.....	13	1	(74)	77	3		33	(68)
Fund balance, July 1, 2002.....	-0-	23	150	139	329	64	46	68
Fund balance, June 30, 2003.....	\$ 13	\$24	\$ 76	\$216	\$ 332	\$ 64	\$ 79	\$-0-

(Continued) - 2.

CITY OF WATERBURY, CONNECTICUTNONMAJOR GOVERNMENTAL FUNDSCOMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2003

(thousands)

	.....SPECIAL REVENUE.....						
	MISCELLANEOUS						
	GRANTS						
	AND						
	PROGRAMS						
	SPECIAL		ELISHA	KENT I.	CHRISTOPHER		WILLIAM E.
	PROJECTS		LEVENWORTH	FULTON	COLUMBUS	HARRUB	FULTON
Revenues:							
Intergovernmental.....		\$ 905					
Investment income.....		5				\$ 2	
Charges for services.....		23					
Other.....		35	\$34	\$24			\$45
Total revenues.....		968	34	24		2	45
Expenditures:							
Current:							
General government.....	\$ 1,223	48					
Public works.....		175					
Public safety.....		900					
Public health.....		12					
Public assistance.....		71					
Education.....		17	38				
Park and recreation.....		1		20			52
Library.....							
Development.....							
Capital outlay.....							
Total expenditures.....	1,223	1,224	38	20			52
Excess (deficiency) of revenues over expenditures.....	(1,223)	(256)	(4)	4		2	(7)
Other financing sources (uses):							
Transfers in.....	130	316					
Transfers out.....							
Total other financing sources (uses).....	130	316					
Net change in fund balances.....	(1,093)	60	(4)	4		2	(7)
Fund balance, July 1, 2002.....	2,040	686	42	15	\$4	\$8	95
Fund balance, June 30, 2003.....	\$ 947	\$ 746	\$38	\$19	\$4	\$8	\$88

(Continued) - 3.

CITY OF WATERBURY, CONNECTICUT

NONMAJOR GOVERNMENTAL FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2003

(thousands)

	.....SPECIAL REVENUE.....				.....CAPITAL PROJECTS.....			
	SILAS BRONSON LIBRARY	LH SOLOMON	WATERBURY DEVELOPMENT AGENCY	TOTAL	PUBLIC IMPROVEMENTS	ROTELLA MAGNET SCHOOL	BUILDING IMPROVEMENT	POLICE VEHICLE REPLACEMENT
Revenues:								
Intergovernmental.....	\$1,097			\$45,216	\$1,928	\$1,053		
Investment income.....	(3)			4				
Charges for services.....	89			4,180				
Other.....			\$104	1,051				
Total revenues.....	1,183		104	50,451	1,928	1,053		
Expenditures:								
Current:								
General government.....				1,271				
Public works.....				1,304				
Public safety.....				2,743				
Public health.....				1,669				
Public assistance.....				4,037				
Education.....				37,488				
Park and recreation.....				1,945				
Library.....	1,736			1,736				
Development.....			32	32				
Capital outlay.....				292	2,787	1,053	\$ 44	
Total expenditures.....	1,736		32	52,517	2,787	1,053	44	
Excess (deficiency) of revenues over expenditures.....	(553)		72	(2,066)	(859)		(44)	
Other financing sources (uses):								
Transfers in.....				1,446			1,500	
Transfers out.....				(30)	(2,828)			\$(1,543)
Total other financing sources (uses).....				1,416	(2,828)		1,500	(1,543)
Net change in fund balances.....	(553)		72	(650)	(3,685)		1,456	(1,543)
Fund balance, July 1, 2002.....	1,209	\$5	32	7,952	10,539		1,500	1,543
Fund balance, June 30, 2003.....	\$ 656	\$5	\$104	\$ 7,302	\$ 6,854	\$- 0 -	\$2,956	\$ - 0 -

(Continued) - 4.

CITY OF WATERBURY, CONNECTICUTNONMAJOR GOVERNMENTAL FUNDSCOMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2003

(thousands)

.....CAPITAL PROJECTS.....

	REFUSE VEHICLE REPLACEMENT	VEHICLE REPLACEMENT	EDUCATION BUILDING RENOVATIONS	ROAD INFRASTRUCTURE IMPROVEMENTS	TECHNOLOGY	TOTAL	INTERFUND ELIMINATIONS	TOTAL NONMAJOR GOVERNMENTAL FUNDS
Revenues:								
Intergovernmental.....						\$ 2,981		\$48,197
Investment income.....								4
Charges for services.....								4,180
Other.....								1,051
Total revenues.....						2,981		53,432
Expenditures:								
Current:								
General government.....								1,271
Public works.....								1,304
Public safety.....								2,743
Public health.....								1,669
Public assistance.....								4,037
Education.....								37,488
Park and recreation.....								1,945
Library.....								1,736
Development.....								32
Capital outlay.....		\$ 1,579			\$ 128	5,591		5,883
Total expenditures.....		1,579			128	5,591		58,108
Excess (deficiency) of revenues over expenditures.....		(1,579)			(128)	(2,610)		(4,676)
Other financing sources (uses):								
Transfers in.....		3,909	\$4,000	\$2,000		11,409	\$(3,909)	8,946
Transfers out.....	\$(2,366)					(6,735)	3,909	(2,856)
Total other financing sources (uses).....	(2,366)	3,909	4,000	2,000		4,674		6,090
Net change in fund balances.....	(2,366)	2,330	4,000	2,000	(128)	2,064		1,414
Fund balance, July 1, 2002.....	2,366	- 0 -	- 0 -	- 0 -	5,019	20,967	- 0 -	28,919
Fund balance, June 30, 2003.....	\$ - 0 -	\$ 2,330	\$4,000	\$2,000	\$4,891	\$23,031	\$ - 0 -	\$30,333

Internal Service Funds

CITY OF WATERBURY, CONNECTICUTINTERNAL SERVICE FUNDS

COMBINING STATEMENT OF NET ASSETS

JUNE 30, 2003

(thousands)

	HEALTH BENEFITS	GENERAL LIABILITY	WORKERS' COMPENSATION	HEART AND HYPERTENSION	TOTAL
ASSETS:					
Cash and cash equivalents	\$13,029	\$ 3,251	\$11,172	\$ 8,413	\$35,865
Receivables - other	196				196
Total assets	13,225	3,251	11,172	8,413	36,061
LIABILITIES:					
Current:					
Accounts payable	385	29	341	3	758
Deferred revenue	305				305
Risk management claim liabilities:					
Current	3,958	1,304	3,993	2,352	11,607
Noncurrent		3,171	12,676	8,576	24,423
Total liabilities	4,648	4,504	17,010	10,931	37,093
NET ASSETS					
Unrestricted	\$ 8,577	\$(1,253)	\$(5,838)	\$(2,518)	\$(1,032)

CITY OF WATERBURY, CONNECTICUTINTERNAL SERVICE FUNDSCOMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2003

(thousands)

	HEALTH BENEFITS	GENERAL LIABILITY	WORKERS' COMPENSATION	HEART AND HYPERTENSION	TOTAL
Operating revenues:					
Employer premiums.....	\$39,026	\$ 1,300	\$ 6,000	\$ 1,900	\$48,226
Charges for services.....	5,154				5,154
Other.....	336	125	130		591
Total operating revenues	44,516	1,425	6,130	1,900	53,971
Operating expenses:					
Benefits, claims, and administration:					
Paid.....	43,479	1,158	7,021	2,343	54,001
Claims incurred reported/unreported.....	(777)	(2,173)	5,412	1,989	4,451
Total operating expenses	42,702	(1,015)	12,433	4,332	58,452
Operating income (loss).....	1,814	2,440	(6,303)	(2,432)	(4,481)
Nonoperating income:					
Interest income.....	214	54	202	144	614
Change in net assets.....	2,028	2,494	(6,101)	(2,288)	(3,867)
Net assets, July 1, 2002.....	6,549	(3,747)	263	(230)	2,835
Net assets, June 30, 2003.....	\$ 8,577	\$ (1,253)	\$ (5,838)	\$ (2,518)	\$ (1,032)

CITY OF WATERBURY, CONNECTICUTINTERNAL SERVICE FUNDSCOMBINING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2003

(thousands)

	HEALTH BENEFITS	GENERAL LIABILITY	WORKERS' COMPENSATION	HEART AND HYPERTENSION	TOTAL
Cash flows from operating activities:					
Employer premiums.....	\$ 39,026	\$ 1,300	\$ 6,000	\$ 1,900	\$ 48,226
Cash received from users and other.....	5,617	125	130		5,872
Cash paid to suppliers and other.....	(43,599)	(1,262)	(6,906)	(2,340)	(54,107)
Net cash provided (used) by operating activities.....	1,044	163	(776)	(440)	(9)
Cash flows from investing activities:					
Interest received.....	214	54	202	144	614
Net increase (decrease) in cash and cash equivalents.....	1,258	217	(574)	(296)	605
Cash and cash equivalents, July 1, 2002.....	11,771	3,034	11,746	8,709	35,260
Cash and cash equivalents, June 30, 2003.....	<u>\$ 13,029</u>	<u>\$ 3,251</u>	<u>\$11,172</u>	<u>\$ 8,413</u>	<u>\$ 35,865</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES					
Operating income (loss).....	<u>\$1,814</u>	<u>\$ 2,440</u>	<u>\$ (6,303)</u>	<u>\$ (2,432)</u>	<u>\$ (4,481)</u>
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
(Increase) decrease in receivables.....	(178)				(178)
Increase (decrease) in accounts payable.....	(120)	(104)	115	3	(106)
Increase (decrease) in deferred revenue.....	305				305
Increase (decrease) in risk management claim liabilities.....	(777)	(2,173)	5,412	1,989	4,451
Total adjustments.....	<u>(770)</u>	<u>(2,277)</u>	<u>5,527</u>	<u>1,992</u>	<u>4,472</u>
Net cash provided (used) by operating activities.....	<u>\$1,044</u>	<u>\$ 163</u>	<u>\$ (776)</u>	<u>\$ (440)</u>	<u>\$ (9)</u>

Fiduciary Funds

CITY OF WATERBURY, CONNECTICUTAGENCY FUNDSSTATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FOR THE YEAR ENDED JUNE 30, 2003

	BALANCE JULY 1, 2002	ADDITIONS	DEDUCTIONS	BALANCE JUNE 30, 2003
<u>STUDENT ACTIVITIES</u>				
Assets:				
Cash and cash equivalents.....	\$370	\$1,122	\$1,076	\$416
Liabilities:				
Due to other funds.....	\$ 10		\$ 10	
Deposits held for others	360	\$1,122	1,066	\$416
TOTAL	\$370	\$1,122	\$1,076	\$416

Capital Assets Used in the Operation of Governmental Funds

CITY OF WATERBURY, CONNECTICUTCAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS

SCHEDULE BY SOURCE

JUNE 30, 2003

(thousands)

Governmental funds capital assets:

Land and improvements.....	\$ 19,114
Buildings and improvements.....	144,199
Infrastructure.....	124,254
Machinery and equipment.....	20,391
Vehicles.....	<u>10,597</u>

TOTAL.....	<u>\$318,555</u>
------------	------------------

Investment in governmental funds capital assets.....	<u>\$318,555</u>
--	------------------

CITY OF WATERBURY, CONNECTICUTCAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS

SCHEDULE BY FUNCTION AND ACTIVITY

JUNE 30, 2003

(thousands)

	TOTAL	LAND	LAND IMPROVEMENTS	BUILDINGS AND IMPROVEMENTS	INFRASTRUCTURE	MACHINERY AND EQUIPMENT	VEHICLES
General government	\$ 7,199	\$ 6,129		\$ 268		\$ 613	\$ 189
Public works	137,929	226	\$ 114	6093	\$124,254	1,695	5,547
Public safety	23,469	56	285	7,063		13,040	3,025
Public health	55					55	
Education	134,346	1,932	2,809	125,378		3,095	1,132
Parks and recreations ..	13,848	3,695	3,805	3,929		1,728	691
Library	1,709	63		1,468		165	13
TOTAL.....	<u>\$318,555</u>	<u>\$12,101</u>	<u>\$7,013</u>	<u>\$144,199</u>	<u>\$124,254</u>	<u>\$20,391</u>	<u>\$10,597</u>

CITY OF WATERBURY, CONNECTICUTCAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS

SCHEDULE OF CHANGES BY FUNCTION AND ACTIVITY
FOR THE YEAR ENDED JUNE 30, 2003

	(thousands)			
	GOVERNMENTAL FUNDS CAPITAL ASSETS JULY 1, 2002	ADDITIONS	DEDUCTIONS	GOVERNMENTAL FUNDS CAPITAL ASSETS JUNE 30, 2003
General government.....	\$ 7,111	\$ 88		\$ 7,199
Public works.....	137,929			137,929
Public safety.....	21,605	1,864		23,469
Public health.....	55			55
Education.....	130,794	3,552		134,346
Parks and recreation....	13,848			13,848
Library.....	1,709			1,709
TOTAL.....	<u>\$313,051</u>	<u>\$5,504</u>	<u>\$ -0-</u>	<u>\$318,555</u>

General Obligation Debt

CITY OF WATERBURY, CONNECTICUT

SCHEDULE OF CHANGES IN BONDS AND SERIAL NOTES
FOR THE YEAR ENDED JUNE 30, 2003

(thousands)

DESCRIPTION	DATE OF ISSUE	MATURITY DATE	INTEREST RATE (%)	AMOUNT OF ORIGINAL ISSUE	BALANCE OUTSTANDING JULY 1, 2002	DEBT RECLASS	ISSUED	REFUNDING (REFUNDED)	RETIRED	BALANCE OUTSTANDING JUNE 30, 2003
<u>GENERAL</u>										
General Purpose:										
General Improvement	08/12/93	04/15/08	3.6-5.375	\$17,482	\$ 9,206			\$ (7,859)	\$1,347	
Grandview Avenue Bridge*	03/22/96	03/22/06	6.00	\$654	262				66	\$ 196
General Improvement	02/01/97	08/15/06	4.375-5.5	\$26,305	14,800				2,660	12,140
Washington Avenue Bridge*	07/01/98	04/01/08	6.00	\$462	278				46	232
General Improvement	11/15/98	02/15/18	4.75	\$18,004	16,657				721	15,936
General Improvement	02/01/00	02/01/20	6.0-6.5	\$7,205	6,848				370	6,478
Special Capital Reserve Funds	04/01/02	04/01/22	4.0-5.5	\$82,075	82,075					82,075
Special Capital Reserve Funds	04/01/02	04/01/09	5.430	\$15,390	15,390					15,390
Refunding Bond	05/01/03	02/01/08	2.5-5.0	\$7,749				7,749		7,749
Total					145,516			(110)	5,210	140,196
Schools:										
Schools	08/12/93	04/15/08	3.6-5.375	\$8,894	4,690			(4,006)	684	
Schools	11/15/98	02/15/18	4.25-5.25	\$3,795	3,512				152	3,360
Schools	02/01/00	02/01/20	6.0-6.5	\$3,795	3,795					3,795
Refunding Bond	05/01/03	02/01/08	2.5-5.0	\$3,950				3,950		3,950
Total					11,997			(56)	836	11,105
Sewers:										
Sewer	08/12/93	04/15/08	3.6-5.375	\$988	520	\$ (520)				
Platts Mill	11/15/98	02/15/18	4.25-5.25	\$1,326	1,226	(1,226)				
Platts Mill	02/01/00	02/01/20	6.0-6.5	\$1,300	1,262	(1,262)				
Total					3,008	(3,008)				
Urban Renewal:										
Urban Renewal	08/12/93	04/15/08	3.6-5.375	\$1,217	642			(548)	94	
Refunding Bond	05/01/03	02/01/08	2.5-5.0	\$540				540		540
Total					642			(8)	94	540
Total bond and serial notes indebtedness					\$161,163	\$ (3,008)	\$ -0-	\$ (174)	\$6,140	\$151,841

CITY OF WATERBURY, CONNECTICUT
SCHEDULE OF CHANGES IN BONDS AND SERIAL NOTES, ETC.

DESCRIPTION	DATE OF ISSUE	MATURITY DATE	INTEREST RATE (%)	(thousands) AMOUNT OF ORIGINAL	BALANCE OUTSTANDING	DEBT		REFUNDING		BALANCE
				ISSUE	JULY 1, 2002	RECLASS	ISSUED	(REFUNDED)	RETIRE	OUTSTANDING
JUNE 30, 2003										
<u>BUSINESS TYPE ACTIVITIES</u>										
Bureau of Water:										
Water Filtration	03/01/87	03/01/05	5.70	\$18,000	\$ 3,000				\$1,000	\$ 2,000
Bureau of Waste Water Treatment:										
Sewer	08/12/93	04/15/08	3.6-5.375	\$988		\$ 520		\$ (444)	76	
Platts Mill	11/15/98	02/15/18	4.25-5.25	\$1,326		1,226			53	1,173
Platts Mill	02/01/11	02/01/20	6.0-6.5	\$1,300		1,262			40	1,222
Refunding Bond	05/01/03	02/01/08	2.5-5.0	\$438				438		438
Clean Water Act**	08/30/95	08/31/15	2.00	\$4,008	2,437				200	2,237
Clean Water Act**	07/31/97	07/31/16	2.00	\$6,448	4,756				295	4,461
Clean Water Act**	01/00/00	06/30/20	2.00	\$69,647	65,199				3,039	62,160
Clean Water Act**	10/30/02	04/30/22	2.00	\$11,547			\$11,547		657	10,890
Total					72,392	3,008	11,547	(6)	4,360	82,581
Total bond and serial notes indebtedness.....					\$75,392	\$3,008	\$11,547	\$ (6)	\$5,360	\$84,581
<u>COMPONENT UNIT</u>										
Component Unit - Waterbury Parking										
Authority:										
Refunding Bond	08/12/93	04/15/08	3.6-5.375	\$1,440	\$772			\$ (663)	\$109	
Refunding Bond	05/01/03	02/01/08	2.5-5.0	\$653				653		\$653
Total					\$772	\$-0-	\$-0-	\$ (10)	\$109	\$653

* State of Connecticut serial notes payable - Bridge Program Loan Repayment

** State of Connecticut serial notes payable - Clean Water Act

TABLE 1

CITY OF WATERBURY, CONNECTICUTGOVERNMENT-WIDE EXPENSES BY FUNCTION
LAST TWO FISCAL YEARS

(thousands)

FISCAL YEAR	GENERAL GOVERNMENT	GENERAL FINANCIAL	PUBLIC WORKS	PUBLIC SAFETY	PUBLIC HEALTH	PUBLIC ASSISTANCE	EDUCATION	PARKS AND RECREATION	LIBRARY	INTEREST ON LONG-TERM DEBT	DEVELOPMENT AND OTHER	BUREAU OF WATER	WASTE TREATMENT	TOTAL
2003	\$8,259	\$91,228	\$17,933	\$47,735	\$4,079	\$2,390	\$165,286	\$5,723	\$3,279	\$7,910	\$1,072	\$7,057	\$11,851	\$373,802
2002	8,977	83,100	13,401	46,905	4,235	6,373	153,266	5,972	2,590	6,885	3,487	7,424	13,768	356,383

TABLE 2

CITY OF WATERBURY, CONNECTICUTGOVERNMENT-WIDE REVENUES
LAST TWO FISCAL YEARS

(thousands)

FISCAL YEAR	.....PROGRAM REVENUES.....			.....GENERAL REVENUES.....				TOTAL
	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	PROPERTY TAXES	GRANTS AND CONTRIBUTIONS NOT RESTRICTED TO SPECIFIC PURPOSES	UNRESTRICTED INVESTMENT EARNINGS	OTHER GENERAL REVENUES	
2003	\$41,305	\$150,357	\$5,214	\$179,980	\$22,360	\$2,325	\$278	\$401,819
2002	42,063	148,847	9,131	164,403	27,572	2,671	3,164	397,851

TABLE 3

CITY OF WATERBURY, CONNECTICUT
 GENERAL FUND COMPARATIVE BALANCE SHEETS
 LAST TEN FISCAL YEARS

(thousands)

	2003	2002**	2001	2000	1999	1998	1997	1996	1995	1994
<u>A S S E T S</u>										
Cash and cash equivalents.....	\$27,494	\$19,954	\$24,911			\$ 1,285	\$ 2,050	\$ 1,015	\$ 2,269	
Receivables:										
Property taxes.....	22,602	22,209	16,909	\$ 8,833	\$12,381	9,996	11,698	7,790	15,827	\$18,292
Property taxes accrued interest receivable.....	6,299	4,748								
Accounts and other.....	1,340	2,501	525	1,072	1,731	1,597	1,677	2,136	7,468	8,518
Due from other funds*.....	2,813	5,013	3,203	8,006	13,998	12,569	9,549	12,375	7,238	10,529
TOTAL	<u>\$60,548</u>	<u>\$54,425</u>	<u>\$45,548</u>	<u>\$17,911</u>	<u>\$28,110</u>	<u>\$25,447</u>	<u>\$24,974</u>	<u>\$23,316</u>	<u>\$32,802</u>	<u>\$37,339</u>
<u>L I A B I L I T I E S A N D F U N D B A L A N C E</u>										
Liabilities:										
Accounts and other payables.....	\$10,730	\$10,925	\$ 21,704	\$ 18,945	\$16,608	\$14,624	\$11,119	\$ 19,146	\$11,622	\$ 4,150
Cash overdraft.....				5,860	1,304					5,379
Due to other funds.....	30,958	356	30,289	2,742	354	4,854	354	173	1,153	424
Deferred revenue.....		29,094	19,292	8,150	9,364	5,660	8,949	10,370	10,571	10,577
Notes payable.....			45,000					18,500	16,000	16,000
Total liabilities	41,688	40,375	116,285	35,697	27,630	25,138	20,422	48,189	39,346	36,530
Fund balance (deficit):										
Reserved.....		750	2,712							
Undesignated.....	18,860	13,300	(73,449)	(17,786)	480	309	4,552	(24,873)	(6,544)	809
TOTAL	<u>\$60,548</u>	<u>\$54,425</u>	<u>\$ 45,548</u>	<u>\$ 17,911</u>	<u>\$28,110</u>	<u>\$25,447</u>	<u>\$24,974</u>	<u>\$ 23,316</u>	<u>\$32,802</u>	<u>\$37,339</u>

*Including amounts due from component units.

**First year of implementation - GASB #34 The New Reporting Model

TABLE 4

CITY OF WATERBURY, CONNECTICUTGENERAL FUND REVENUES BY SOURCE AND TRANSFERS
LAST TEN FISCAL YEARS

(thousands)

FISCAL YEAR	TAXES AND ASSESSMENTS	INTER- GOVERNMENTAL	DEPARTMENTAL AND OTHER	OPERATING TRANSFERS	BOND PROCEEDS	TOTAL
2003.....	\$177,721	\$122,782	\$11,133	\$4,898		\$316,534
2002.....	159,134	129,371	11,632	5,480	\$97,465	403,082
2001.....	129,139	116,969	9,741	2,134		257,983
2000.....	117,852	102,061	9,180	3,802		232,895
1999.....	125,506	99,076	8,130	3,942		236,654
1998.....	119,021	91,043	8,902	3,847		222,813
1997.....	118,438	90,963	9,060		24,873	243,334
1996.....	112,199	88,803	5,464	2,775		209,241
1995.....	115,421	85,771	9,157	636	2,267	213,252
1994.....	110,660	83,823	11,374			205,857

Note: GAAP Basis

TABLE 5

CITY OF WATERBURY, CONNECTICUT
 GENERAL FUND EXPENDITURES BY FUNCTION AND TRANSFERS
 LAST TEN FISCAL YEARS
 (thousands)

FISCAL YEAR	GENERAL GOVERNMENT	GENERAL FINANCIAL	PUBLIC WORKS	PUBLIC SAFETY	PUBLIC HEALTH	PUBLIC ASSISTANCE	EDUCATION	PARKS AND RECREATION	LIBRARY	DEBT SERVICE	OTHER	TRANSFERS	TOTAL
2003	\$6,746	\$89,358	\$13,070	\$41,615	\$2,607		\$128,345	\$3,240	\$1,501	\$15,265	\$1,040	\$ 8,937	\$311,724
2002	7,578	85,708	12,199	42,175	2,599	\$ 120	119,448	4,171	1,535	11,112*	4,643	27,007	318,295
2001	7,761	73,985	13,788	43,939	2,763	113	118,138	4,151	1,649	10,441	2,769	30,196	309,693
2000	7,564	57,752	12,437	42,822	2,903	94	108,102	4,605	1,890	14,934		86	253,189
1999	6,853	57,912	12,695	44,138	2,806	74	105,619	4,568	1,808	7,864			244,337
1998	7,064	50,633	13,120	42,836	2,796	154	96,160	4,474	1,823	7,996			227,056
1997	6,723	44,032	12,241	39,160	2,861	4,123	92,747	4,186	1,805	6,001		30	213,909
1996	7,199	42,614	15,597	40,572	2,824	6,653	96,753	4,387	1,772	4,461		1,820	224,652
1995	7,210	41,347	17,669	39,236	2,691	10,775	89,842	4,326	1,675	5,142		65	219,978
1994	6,832	37,398	15,821	34,987	2,517	10,553	88,044	3,767	1,412	1,632		217	203,180

*Operating transfer out to the Debt Service Fund for funding of current debt service payments.

Note: GAAP Basis

TABLE 6

CITY OF WATERBURY, CONNECTICUTPROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS

(thousands)

FISCAL YEAR	MILL TAX RATE	ADJUSTED TAX LEVY	COLLECTIONS OF CURRENT YEAR TAXES DURING FISCAL YEAR	PERCENTAGE OF CURRENT LEVY COLLECTED DURING FISCAL YEAR OF LEVY	DELINQUENT TAXES COLLECTED	TOTAL TAX COLLECTED	TOTAL TAX COLLECTED AS A % OF CURRENT LEVY	CUMULATIVE OUTSTANDING DELINQUENT TAXES	OUTSTANDING DELINQUENT TAXES AS A PERCENTAGE OF CURRENT LEVY
2003.....	54.86	\$179,146	\$168,809	94.23%	\$10,520	\$179,329	100.10%	\$27,393	15.29%
2002.....	97.78	167,624	152,670	91.08	6,442	159,112	94.92	27,254	16.26
2001.....	80.52	135,396	124,883	92.23	5,106	129,989	96.01	16,909	12.49
2000.....	74.64	122,113	114,401	93.68	5,385	119,986	98.25	9,062	7.42
1999.....	74.64	120,041	111,686	93.04	5,356	117,042	97.50	14,132	11.77
1998.....	74.64	115,599	110,783	95.83	3,791	114,574	99.11	11,227	9.71
1997.....	74.64	113,787	106,044	93.20	2,758	108,802	95.62	13,734	12.07
1996.....	74.64	104,603	100,532	96.11	5,350	105,882	101.22	9,744	9.32
1995.....	76.46	114,260	105,657	92.47	8,526	114,183	99.93	19,296	16.89
1994.....	71.57	104,282	95,805	91.87	4,653	100,458	96.33	20,270	19.44

TABLE 7

CITY OF WATERBURY, CONNECTICUTASSESSED AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
LAST EIGHT FISCAL YEARS

(thousands)

FISCAL YEAR	.....REAL PROPERTY.....		...PERSONAL PROPERTY...		.....LESS EXEMPTIONS.....		.....TOTAL.....	
	ASSESSED VALUE	ESTIMATED ACTUAL VALUE	ASSESSED VALUE	ESTIMATED ACTUAL VALUE	ASSESSED VALUE	ESTIMATED ACTUAL VALUE	ASSESSED VALUE	ESTIMATED ACTUAL VALUE
2003*	\$2,740,941	\$3,915,630	\$638,561	\$912,230	\$111,796	\$159,709	\$3,267,706	\$4,668,151
2002	1,156,889	1,652,699	628,534	897,906	104,462	149,231	1,680,961	2,401,374
2001	1,157,222	1,653,174	596,144	851,634	103,368	147,668	1,649,998	2,357,140
2000	1,155,138	1,650,197	563,818	805,454	106,163	151,661	1,612,793	2,303,990
1999	1,150,122	1,643,031	528,888	755,554	106,862	152,660	1,572,148	2,245,925
1998	1,113,595	1,590,850	516,852	738,360	93,072	132,960	1,537,375	2,196,250
1997	1,103,721	1,576,744	484,367	691,952	76,525	109,321	1,511,563	2,159,375
1996	1,120,086	1,600,123	455,281	650,401	74,598	106,569	1,500,769	2,143,955

*2001 Grand List includes revaluation.

TABLE 8

CITY OF WATERBURY, CONNECTICUTRATIO OF BONDED DEBT TO ASSESSED VALUE AND BONDED DEBT PER CAPITA
LAST EIGHT FISCAL YEARS

FISCAL YEAR	POPULATION (1)	NET ASSESSED VALUE (2) *	BONDED DEBT OUTSTANDING (3) *	RATIO OF BONDED DEBT TO ASSESSED VALUE	BONDED DEBT PER CAPITA
2003.....	107,883	\$3,267,706	\$151,841	4.65%	\$1,407
2002.....	107,271	1,680,961	161,163	9.59	1,502
2001.....	107,271	1,649,998	69,721	4.22	649
2000.....	107,271	1,612,793	75,626	4.69	705
1999.....	104,263	1,572,148	68,345	4.35	655
1998.....	105,346	1,537,375	49,617	3.23	471
1997.....	106,082	1,511,563	54,370	3.60	513
1996.....	106,753	1,500,769	30,691	2.05	287

Data Source: (1) U.S. Department of Commerce, Bureau of Census
 (2) Assessor's Office, October 1, Grand List
 (3) General bonded debt, excluding enterprise fund debt

*(thousands)

CITY OF WATERBURY, CONNECTICUT

STATEMENT OF DEBT LIMITATION

JUNE 30, 2003

(thousands)

Total tax collections (including interest and penalties)	\$178,786
State reimbursement for:	
Tax relief for elderly - freeze.....	48
TOTAL	<u>\$178,834</u>

<u>Debt Limitation</u>	<u>General Purpose</u>	<u>Schools</u>	<u>Sewers</u>	<u>Urban Renewal</u>	<u>Pension Deficit</u>
Factor multiplied times:					
2-1/4.....	\$402,377				
4-1/2.....		\$804,753			
3-3/4.....			\$670,628		
3-1/4.....				\$581,211	
3.....					\$536,502
Total debt limitation ...	<u>402,377</u>	<u>804,753</u>	<u>670,628</u>	<u>581,211</u>	<u>536,502</u>
Debt as defined by Statute:					
Bonds and serial notes payable	140,196	11,105	82,581	540	
State of Connecticut Clean Water Fund IFO			3,088		
Bonds authorized - unissued		14,501	80,085		
Clean Water grant commitments			(40,585)		
School building grants receivable ..		(14,834)			
Total indebtedness	<u>140,196</u>	<u>10,772</u>	<u>125,169</u>	<u>540</u>	
Debt limitation in excess of outstanding and authorized debt....	<u>\$262,181</u>	<u>\$793,981</u>	<u>\$545,459</u>	<u>\$580,671</u>	<u>\$536,502</u>

NOTE 1: In no event shall total debt exceed seven times annual receipts from taxation. The maximum amount permitted would be \$1.3 billion.

NOTE 2: Bonds authorized and unissued represent bond authorizations for which bonds have been issued to partially finance the project or interim financing has been issued.

NOTE 3: Bonds payable do not include Water bonds of \$2 million, which are considered to be self-funding.

NOTE 4: Bond authorizations for Clean Water Fund projects will be partially funded by grants received from the State of Connecticut. Grant commitments on authorized projects are \$40.6 million.

NOTE 5: School Building Grants totaling \$334 thousand are applicable to outstanding bond issues. In addition an amount of \$14.5 million will be received from the State in the form of proportional progress payments for eligible construction costs during certain construction phases of the projects.

TABLE 10

CITY OF WATERBURY, CONNECTICUTOUTSTANDING BOND AUTHORIZATIONS
JUNE 30, 2003

(thousands)				
PROJECT	DATE AUTHORIZED	AMOUNT AUTHORIZED	BONDS AND SERIAL NOTES ISSUED	AUTHORIZED BUT UNISSUED
Board of Education Capital Projects.....	07/21/98	\$ 22,091	\$ 7,590	\$14,501
Wastewater Treatment Plant.....	11/25/94	138,000	91,018	46,982
Main Carrier.....	11/22/98	28,100	11,547	16,553
Collection System.....	04/24/00	16,550		16,550
TOTAL.....		<u>\$204,741</u>	<u>\$110,155</u>	<u>\$94,586</u>

TABLE 11

CITY OF WATERBURY, CONNECTICUTRATIO OF ANNUAL DEBT SERVICE TO TOTAL EXPENDITURES
LAST TEN FISCAL YEARS

(thousands)			
FISCAL YEAR	ANNUAL DEBT SERVICE	GENERAL FUND EXPENDITURES AND TRANSFERS (1)	RATIO OF DEBT SERVICE TO TOTAL GENERAL EXPENDITURES
2003	\$14,361*	\$311,724	4.61%
2002	10,921*	318,295	3.43
2001	10,441	309,693	3.37
2000	14,934	253,189	5.89
1999	7,864	244,337	3.22
1998	7,996	227,056	3.52
1997	6,001	213,909	2.81
1996	4,461	224,652	1.99
1995	5,142	219,978	2.34
1994	1,632	203,180	0.80

(1) GAAP Basis

*Debt Service Fund

TABLE 12

CITY OF WATERBURY, CONNECTICUTINTERGOVERNMENTAL REVENUES AS A PERCENTAGE OF GENERAL FUND REVENUES
LAST TEN FISCAL YEARS

(thousands)

FISCAL YEAR	INTERGOVERNMENTAL REVENUE	GENERAL FUND REVENUES AND TRANSFERS	PERCENT
2003	\$117,344	\$316,534	36.12%
2002	129,371	403,082 (1)	32.10
2001	116,969	257,983	45.34
2000	102,061	232,895	43.82
1999	99,076	236,654	41.87
1998	91,043	222,813	40.86
1997	90,963	243,334 (1)	37.38
1996	88,803	209,241	42.44
1995	85,771	213,252 (1)	40.22
1994	83,823	205,857	40.72

(1) Includes bond proceeds

Note: GAAP Basis

TABLE 13

CITY OF WATERBURY, CONNECTICUT
 CONSTRUCTION PERMITS AND VALUE
 LAST TEN FISCAL YEARS

FISCAL YEAR	COMMERCIAL.....CONSTRUCTION.....		RESIDENTIAL.....CONSTRUCTION.....		.....OTHER.....		.....TOTALS.....	
	NUMBER OF UNITS	VALUE*	NUMBER OF UNITS	VALUE*	NUMBER OF UNITS	VALUE*	NUMBER OF UNITS	VALUE*
2003	110	\$13,346	811	\$9,163	166	\$3,427	1,087	\$25,936
2002	102	19,833	500	6,371	94	1,790	696	27,994
2001	154	25,617	486	7,816	74	2,316	714	35,749
2000	164	23,932	752	8,954	110	394	1,026	33,280
1999	203	25,331	704	8,817	2,281	19,656	3,188	53,804
1998	328	23,714	649	6,261	2,930	77,327	3,907	107,302
1997	181	48,726	618	8,734	2,141	33,457	2,940	90,917
1996	331	9,502	782	10,100	2,100	13,674	3,213	33,276
1995	386	26,615	892	11,381	2,379	13,324	3,657	51,320
1994	360	10,152	851	10,541	2,380	19,011	3,591	39,704

*thousands

TABLE 14

CITY OF WATERBURY, CONNECTICUT

PRINCIPAL TAXPAYERS
JUNE 30, 2003

TAXPAYER	NATURE OF BUSINESS	ASSESSMENT**	PERCENT OF TOTAL NET GRAND LIST
General Growth Properties *.....	Retail	\$ 82,636	2.53%
Connecticut Light and Power.....	Utility	34,268	1.05
Yankee Gas Company.....	Utility	21,040	.64
Starwood Ceruzzi.....	Retail	20,778	.63
Olin Corporation.....	Manufacturing	15,557	.48
K-Five Associates Limited.....	Retail	15,052	.46
Clydel Mfg. Company.....	Manufacturing	13,963	.43
Webster Bank.....	Bank	12,866	.39
MacDermid Incorporated.....	Chemicals	12,084	.37
Truelove & Maclean, Inc.....	Manufacturing	<u>11,285</u>	<u>.35</u>
TOTAL		<u>\$239,529</u>	<u>7.33%</u>

* Brass Mill Center

** In thousands

Source: October 1, 2001 Grand List

TABLE 15

CITY OF WATERBURY, CONNECTICUTDEMOGRAPHIC STATISTICS
LAST TEN FISCAL YEARS

YEAR	ESTIMATED POPULATION (1)	PER CAPITA INCOME (2)	MEDIAN AGE (2)	PUBLIC SCHOOL ENROLLMENT (3)	UNEMPLOYMENT RATE (4)
2003	107,883	\$17,701	34.9	17,714	7.7
2002	107,413	14,209	33.1	16,239	7.6
2001	107,413	14,209	33.1	15,749	6.0
2000	107,271	14,209	33.1	15,322	3.7
1999	104,263	14,209	33.1	14,907	4.8
1998	105,346	14,209	33.1	14,505	5.1
1997	106,082	14,209	33.1	14,165	7.1
1996	106,753	14,209	33.1	13,972	8.3
1995	107,554	14,209	33.1	13,869	7.6
1994	107,831	14,209	33.1	13,651	8.2

Source: (1) 1993-2000 and 2003 State of Connecticut Department of Health;
2001 - U.S. Census as of April, 2001
(2) 1994-2002, 1990 U.S. Census, 2003 2000 U.S. Census
(3) Waterbury Board of Education
(4) State of Connecticut Labor Department

CITY OF WATERBURY, CONNECTICUTMISCELLANEOUS STATISTICS

JUNE 30, 2003

GENERAL INFORMATION:

Founded	1674
Incorporated as a village	1686
Incorporated as a city	1853
Form of government	Mayor-Board of Aldermen
Area of City	28.55
Population	
1950	104,477
1960	107,130
1970	108,033
1980	103,266
1990	108,961
2000	107,271

ELECTIONS:

City Elections	odd years
Board of Aldermen	15 members
Board of Education	10 members

MUNICIPAL EMPLOYEES:

General government	1,333
Board of Education	2,132
Federally funded	<u>335</u>

TOTAL	<u>3,800</u>
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EDUCATION:

Elementary schools	19
Middle schools	7
High schools	4

Non-public schools:

Elementary schools	11
High schools	4
Vocational-technical high school	1

WATER:

Total capacity	7.54 billion gallons
Daily treatment capacity	38.0 million gallons

WATER POLLUTION CONTROL:

Sanitary sewers	305 miles
Daily tertiary treatment capacity	27.0 million gallons

RECREATION:

Parks	22
Parklets	15
Recreation centers	6
Golf courses	2
Swimming pools	3
Tennis courts	42
Softball fields	27
Deck-hockey rinks	2